

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of West Salem, Wayne County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 17, 2008

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**VILLAGE OF WEST SALEM
WAYNE COUNTY**

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of West Salem
Wayne County
P. O. Box 256
West Salem, Ohio 44287

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information of the Village of West Salem, Wayne County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 discussed in Note 2, the Village has prepared these financial statements and notes using the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Salem, Wayne County, Ohio, as of December 31, 2007 and 2006, and the respective changes in financial position—cash basis and the respective budgetary comparison for the General and Street Construction, Maintenance, and Repair Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

KNOX & KNOX

Orrville, Ohio
March 18, 2008

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

This discussion and analysis of the Village of West Salem's (also referred to as the Government's) financial performance provides an overall review of the Government's financial activities for the years ended December 31, 2007 and 2006, within the limitations of the Government's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

HIGHLIGHTS

Key highlights for 2007 and 2006 are as follows:

The Government's general receipts are primarily property and income taxes and intergovernmental revenues. These receipts represent respectively 10.24, 37.76 and 36.87 percent for 2007 and 9.9, 31.2, and 41.44 percent for 2006 of the total cash received for governmental activities during the years. The School House Community Campus is another major source of receipts from tenant lease payments. Lease payments represent 10.45 percent for 2007 and 12.3 percent for 2006 of the General Fund Revenue. Income tax receipts for 2007 were slightly higher than receipts in 2006 and 2006 was modestly higher than 2005. Development within the corporation remains slow. During 2007 the Village disposed of certain real estate and one used cruiser. The sale of these fixed assets offset the down payment on a new cruiser and some utility work which was paid from the General Fund. Lease receipts for 2006 remained the same as collections for 2005.

The School House Community Campus expenditures for 2007 increased over those for 2006 and 2006 expenditures increased over 2005. Energy costs and building maintenance costs continued to increase during 2007 and 2006.

The water operation, one of the Government's business-type activities, decreased its assets during 2007 but increased its assets during 2006. The OWDA loan for the proposed nanofiltration system pilot study was paid off from the Water Fund. Two minor water main extensions were completed during 2007. One was paid from Water Fund operating capital, the other from General Fund. General Fund also paid to paint one water tower. April 1, 2007 water service base rates increased \$3.00 while sewer base rates increased \$5.00.

The pilot for the proposed nanofiltration system of treatment was paid from the Grant Construction Fund. Both water and sewer rates were increased 3.5 % at the beginning of 2006. The sewer operation lost money during 2006. This was the first year that 100 % of debt service was paid from sewer revenues.

In December, 2006, the Government secured an OWDA loan for the design of its water treatment plant. Also during December, Council heard the first two readings of legislation increasing utility rates.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Government Accounting Standards Board Statement No. 34, as applicable to the Government's cash basis of accounting.

**VILLAGE OF WEST SALEM
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Government as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Government has elected to present its financial statements on a cash basis of accounting. This basis of accounting is other than generally accepted accounting principles. Under the Government's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE GOVERNMENT AS A WHOLE

The statement of net assets and the statement of activities reflect how the Government did financially during 2007 and 2006, the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Government at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Government's general receipts.

These statements report the Government's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Government's financial health. Over time, increases or decreases in the Government's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Government's financial condition, you should also consider other non-financial factors as well such as the Government's property tax base, the condition of the Government's capital

**VILLAGE OF WEST SALEM
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 AND 2006
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assets and infrastructure, the extent of the Government's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Government into two types of activities:

Governmental activities. Most of the Government's basic services are reported here, including police, streets, fire, parks, cemeteries, and construction projects. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Government has two business-type activities, the provision of water, and of sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

REPORTING THE GOVERNMENT'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the Government's major funds—not the Government as a whole. The Government establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Government are split into three categories: government, proprietary and fiduciary.

Governmental Funds - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the government's programs. The Government's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Government's major governmental funds are the General, State Highway, Bond Retirement, OWDA Debt Service, and Grant Construction Water Plant Funds. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds - When the Government charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Government has three enterprise funds, the Water, Sewer, Utility Deposit Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Government's programs. The Mayor's Court Agency Fund is a fiduciary fund. The Unclaimed Money Fund assets are reserved for the same under General Fund.

THE VILLAGE AS A WHOLE

Table 1 provides a summary of the Government's net assets for 2007 compared to 2006 and 2005 on a cash basis.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

(Table 1)
Net Assets

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
ASSETS									
Cash and Cash Equivalents	\$70,914	\$49,937	\$267,920	\$58,789	\$68,224	\$181,921	\$129,703	\$118,161	\$449,841
Investments	230,436	238,600		159,526	138,535		389,962	377,135	
Total Assets	<u>\$301,350</u>	<u>\$288,537</u>	<u>\$267,920</u>	<u>\$218,315</u>	<u>\$206,759</u>	<u>\$181,921</u>	<u>\$519,665</u>	<u>\$495,296</u>	<u>\$449,841</u>
NET ASSETS									
Restricted for:									
Debt Service	\$30,923	\$27,749	\$101,034				\$30,923	\$27,749	\$101,034
Capital Outlay	16,000	2,431	26,365				16,000	2,431	26,365
Other Purposes	129,281	107,472	140,521			\$181,921	129,281	107,472	322,442
Unrestricted	125,146	150,885		\$218,315	\$206,759		343,461	357,644	
Total Net Assets	<u>\$301,350</u>	<u>\$288,537</u>	<u>\$267,920</u>	<u>\$218,315</u>	<u>\$206,759</u>	<u>\$181,921</u>	<u>\$519,665</u>	<u>\$495,296</u>	<u>\$449,841</u>

As mentioned previously, net assets of governmental activities decreased \$12,815 or 4.44 percent during 2007. The primary reasons contributing to the decreases in cash balances are as follows:

- Income tax receipts increased \$13,117 or 7.01% over 2006 receipts because the Tax Administrator continued actions against person who had not filed or paid their taxes
- Investment earnings continued to increased during 2007
- Sale of two Village lots and the 2002 cruiser
- Water basic service rates increased \$3.00
- Sewer basic service rates increased \$5.00

As mentioned previously, net assets of governmental activities increased \$20,617 or 7.7 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Modest growth in local tax receipts. The assessed valuation has increased from \$17,353,334 to \$18,969,410.
- Income tax receipts increased \$4,760 or 2.61% over 2005 receipts because the Tax Administrator began actions against persons who had not filed or paid their taxes.
- Investment earnings increased during 2006.
- The Government is now deducting 20% of health insurance premium costs from employees on the plan. It deducted 10% during 2005.
- Debt Service on the five year Bond Anticipation Note issued in 2006 is being paid from the Sewer Fund rather than from a debt service fund.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

Table 2 reflects changes in net assets in 2007 compared to 2006 and 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities			Business-Type Activities			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Receipts:									
Program Receipts:									
Charges for Services and Sales	\$73,727	\$76,560	\$79,766	\$562,574	\$520,827	\$494,786	\$636,301	\$597,387	\$574,552
Operating Grants and Contributions	72,519	109,003	71,222				72,519	109,003	71,222
Total Program Receipts	146,246	185,563	150,988	562,574	520,827	494,786	708,820	706,390	645,774
General Receipts:									
Property and Other Local Taxes	54,320	59,406	61,482				54,320	59,406	61,482
Income Taxes	200,248	187,131	182,371				200,248	187,131	182,371
Other Taxes	6,920						6,920		
Grants and Entitlements Not Restricted to Specific Programs	195,522	139,513	103,052				195,522	139,513	103,052
Debt Proceeds	2,482	82,502					2,482	82,502	
Sale of Fixed Assets	42,800						42,800		
Interest	21,929	19,156	12,752				21,929	19,156	12,752
Miscellaneous	6,120	6,377	107,714	2,805	7,148	2,088	8,925	13,525	109,802
Total General Receipts	530,341	494,085	467,371	2,805	7,148	2,088	533,146	501,233	469,459
Total Receipts	676,587	679,648	618,359	565,379	527,975	496,874	1,241,966	1,207,623	1,115,233
Disbursements:									
General Government	198,577	198,474	181,093				198,577	198,474	181,093
Security of Persons and Property	127,251	118,405	108,364				127,251	118,405	108,364
Public Health Services	28,095	24,516	28,277				28,095	24,516	28,277
Leisure Time Activities	5,158	7,608	4,928				5,158	7,608	4,928
Economic Development	5,733	5,166	6,756				5,733	5,166	6,756
Basic Utilities	12,300			431,193	361,512	354,930	443,493	361,512	354,930
Transportation	73,524	124,070	95,875				73,524	124,070	95,875
Capital Outlay	270,163	22,305	59,539				193,917	83,054	59,539
Principal Retirement	52,553	261,912	256,784				113,301	201,164	256,784
Interest and Fiscal Charges	13,407	38,209	43,911				28,905	38,209	43,911
Total Disbursements	786,761	800,666	785,527	431,193	361,512	354,930	1,217,954	1,162,178	1,140,457
Excess (Deficiency) Before Transfers	(110,174)	(121,018)	(167,168)	134,186	166,463	141,944	24,012	45,445	(25,224)
Transfers	122,519	141,624	123,579	(122,631)	(141,624)	(123,579)	(112)		
Increase (Decrease) in Net Assets	12,345	20,606	(43,589)	11,555	24,839	18,365	23,900	45,445	(25,224)
Net Assets, January 1	289,005	267,930	311,509	206,759	181,921	163,556	495,764	449,851	475,065
Net Assets, December 31	\$301,350	\$288,536	\$267,920	\$218,314	\$206,760	\$181,921	\$519,664	\$495,296	\$449,841

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

During 2007 governmental program receipts represent 21.61 percent of total receipts, as compared with 26.27 percent during 2006, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, cemetery fees; developer fees, court fines and costs. During 2007 business-type program receipts represent 99.5 percent of total receipts, as compared to 98.65 percent during 2006, and are primarily comprised of charges for services.

During 2007 general receipts represent 78.39 percent of the Government's total receipts, and of this amount, over 49.3 percent are local taxes. State and federal grants and entitlements make up much of the balance of the Government's general receipts (21.6 percent). Government proceeds from debt issues represent 16.5 percent of the general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

During 2006 general receipts represent 72.7 percent of the Government's total receipts, and of this amount, over 49.3 percent are local taxes. State and federal grants and entitlements make up much of the balance of the Government's general receipts (27.8 percent). Government proceeds from debt issues represent 16.5 percent of the general receipts. Other receipts are very insignificant and/or somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as Mayor's Court and the cost associated with the School House Community Campus. Since these costs do not represent direct services to residents, we have limited these costs to 37.44 percent of General Fund unrestricted receipts in 2007 and 52.47 percent in 2006.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the Economic Development Department promotes the area to developers and the Government to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. In 2007 the major program disbursements for governmental activities are for transportation and security of persons and property, which account for 9.35, 16.17, and 24.65 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 25.24 percent. In 2006 the major program disbursements for governmental activities are for transportation and security of person and property, which account for 15.5 and 14.79 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 24.8 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

(Table 3)
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$198,577	\$136,209	\$198,474	\$131,853	\$181,093	\$113,426
Security of Persons and Property	127,251	127,251	118,405	118,405	108,364	108,364
Public Health Services	28,095	17,456	24,515	15,996	28,277	19,826
Leisure Time Activities	5,158	5,158	7,608	7,608	4,928	4,928
Economic Development	5,733	5,232	5,166	4,701	6,756	4,211
Basic Utilities	12,300	12,300				
Transportation	73,524	785	124,070	14,113	95,875	23,550
Capital Outlay	270,163	270,163	22,305	22,305	59,539	59,539
Principal Retirement	52,553	52,553	261,912	261,912	256,784	256,784
Interest and Fiscal Charges	13,407	13,407	38,209	38,209	43,911	43,911
Total Expenses	\$786,761	\$640,514	\$800,665	\$615,103	\$785,527	\$634,539

The dependence upon property and income tax receipts is apparent as over 33.24 percent of governmental activities for 2007 and 76.8 percent of governmental activities for 2006 are supported through these general receipts.

Business-type Activities

The water operation of the Government is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The Village purchases water from the Rural Lorain County Water Authority, LaGrange, Ohio. The Village has established a new well field and the conclusion of 2007 was expecting imminent EPA approval of its new water plant design. Besides paying off the OWDA loan for its pilot study, the Village has made one payment towards the principal of the OWDA design loan. Once bids have been accepted for the project, the design loan will be rolled into the construction loan which will have a lower rate of interest.

The sanitary sewer operation of the Government is also relatively small and routinely reports receipts and cash disbursements that are relatively equal. There was no new construction or engineering fees during 2007 or 2006. The Sewer Fund is in the second year of payment on a five year bond anticipation note. Prior debt payments had been made from the General Fund and, in 2005, from the remaining balance in the original sewer plant revenue mortgage bond trust account after that debt was retired. The Village continues to search for sources of infiltration and at the conclusion of 2006 approved legislation declaring the necessity to levy a special assessment for repairs of a suspected source of infiltration. The Village is under EPA orders to reduce its inflow and infiltration.

THE GOVERNMENT'S FUNDS

In 2007 total governmental funds had receipts of \$676,587 and disbursements of \$786,761. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$26,259 and General Fund receipts were less than disbursements by \$17,924 mainly because of capital expenditures and cash advances that had not been repaid.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 AND 2006
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In 2006 total governmental funds had receipts of \$599,648 and disbursements of \$800,665. The greatest change within governmental funds occurred within the General Fund. The balance of the General Fund increased \$10,355 in spite of the increased costs for salaries and benefits; and unexpectedly high heating and gasoline costs.

In 2006 General Fund receipts were more than disbursements by \$28,167 indicating that the General Fund is controlling its spending. It was the recommendation of the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions included cuts in leisure time activity expenditures and reductions in office expenditures. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if operating costs should increase or if other Village funds should need to be subsidized by the General Fund.

The Street Fund receipts were less than disbursements in 2007 by \$3,781 and \$8,672 in 2006 indicating that the Street Fund is in a deficit spending situation. However, the 2007 deficit is smaller than the deficit of 2006. General Fund once again transferred \$10,000 to the Street Fund during 2007 and 2006. The street paving program was not completed during 2007. Consequently street paving costs are expected to be higher than normal during 2008, to make up for 2007. Because of the year-end transfer, the December 31st Street Fund balance was higher than its January 1st balance in both 2007 and 2006.

GENERAL FUND BUDGETING HIGHLIGHTS

The Government's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2007 and 2006, the government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were substantially the same as original budgeted receipts because tax and interest estimates had been set low. The difference between final budgeted receipts and actual receipts was an increase of \$20,383.

During 2006, the government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts exceeded original budgeted receipts because tax and interest estimates had been set low. The difference between final budgeted receipts and actual receipts was not significant.

For 2007 final disbursements in the General Fund were budgeted at \$495,634 while actual disbursements were \$432,477. The Government makes an effort to spend less than budgeted amounts since expenditures of the full budget would wipe out its reserves. The budgeted amount for advances out was reduced to \$18,921.

For 2006 final disbursements were budgeted at \$412,672 while actual disbursements were \$365,665. The Government made an effort to spend less than budgeted amounts as demonstrated in the report. The result is the increase in the General Fund balance of \$10,355 for 2006.

For 2007 final disbursements for the Street Fund were budgeted at \$83,662 while actual disbursements were \$72,205. For the reasons noted above, the Street Fund balance increased by \$6,219

For 2006 final disbursements for the Street Fund were budgeted at \$89,470 while actual disbursements were \$82,107. As noted above, the Street Fund balance increased by \$1,328.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Government does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2007, the Government's outstanding debt included \$63,160 in general obligation notes issued for improvements to the sanitary sewer system, and \$867,109 in Ohio Water Development Authority and Ohio Public Works Commission loans for utility construction. The loan amount for one of the government's OWDA loans has not been finalized yet but is currently calculated to be \$313,875. As mentioned above, the design loan for the water plant will be rolled into the construction loan. For further information regarding the Government's debt, refer to Notes 12 and 13 to the basic financial statements.

CURRENT ISSUES

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funds. We rely heavily on local taxes and have very little industry to support the tax base. The property tax valuation has decreased \$604,360 because of decreases in new construction and tangible and personal property taxes. The financial forecast predicts the potential for deficit spending during 2009 unless, the finance committee and the administration continue to implement cost savings strategies. The administration approves all requisitions. Overtime is rigorously discouraged. Water rates will be increased \$3.00 during 2008 and another \$3.00 during 2009.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Patricia Foradori, Clerk-Treasurer, Village of West Salem, 27 S. Main Street, P. O. Box 256, West Salem, Ohio 44287.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007 AND 2006**

	2007			2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Equity in Pooled Cash and Cash Equivalents	<u>\$301,350</u>	<u>\$218,318</u>	<u>\$519,668</u>	<u>\$288,537</u>	<u>\$206,759</u>	<u>\$495,296</u>
Total Assets	<u><u>\$301,350</u></u>	<u><u>\$218,318</u></u>	<u><u>\$519,668</u></u>	<u><u>\$288,537</u></u>	<u><u>\$206,759</u></u>	<u><u>\$495,296</u></u>
NET ASSETS						
Restricted for:						
Capital Projects	\$16,000		\$16,000	\$2,431		\$2,431
Debt Service	30,923		30,923	27,749		27,749
Other Purposes	129,281		129,281	107,472		107,472
Unrestricted	<u>125,146</u>	<u>\$218,315</u>	<u>343,461</u>	<u>150,885</u>	<u>\$206,759</u>	<u>357,644</u>
Total Net Assets	<u><u>\$301,350</u></u>	<u><u>\$218,315</u></u>	<u><u>\$519,665</u></u>	<u><u>\$288,537</u></u>	<u><u>\$206,759</u></u>	<u><u>\$495,296</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR YEAR ENDED DECEMBER 31, 2007**

	Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Security of Persons and Property	\$127,251			(\$127,251)		(\$127,251)
Public Safety	28,095	\$10,539	\$100	(\$17,456)		(17,456)
Leisure Time Activities	5,158			(\$5,158)		(5,158)
Community Environment	5,733	500		(\$5,233)		(5,233)
Basic Utilities	12,300			(\$12,300)		(12,300)
Transportation	73,524	320	72,419	(\$785)		(785)
General Government	198,577	62,368		(\$136,209)		(136,209)
Capital Outlay	270,163			(\$270,163)		(270,163)
Debt Service:						
Principal	52,553			(\$52,553)		(52,553)
Interest	13,407			(\$13,407)		(13,407)
Total Governmental Activities	786,761	73,727	72,519	(640,515)		(640,515)
BUSINESS-TYPE ACTIVITIES						
Water	294,469	275,687			(\$18,782)	(18,782)
Sewer	132,024	279,600			147,576	147,576
Enterprise Deposit Fund	4,700	7,287			2,587	2,587
Total Business-Type Activities	431,193	562,574			131,381	131,381
Total Primary Government	\$1,217,954	\$636,301	\$72,519	(640,515)	131,381	(509,134)
GENERAL RECEIPTS						
Property Taxes				54,320		54,320
Municipal Income Taxes				200,248		200,248
Other Taxes				6,920		6,920
Grants Entitlements not Restricted to Specific Programs				195,522		195,522
Sale of Capital Assets				2,482		2,482
Interest				42,800		42,800
Earnings on investments				21,929		21,929
Miscellaneous				6,589	2,692	9,281
Total General Receipts				530,810	2,692	533,502
Transfers				122,519	(122,519)	
Total General Receipts, Special & Extraordinary Items, Transfers & Advances				653,329	(119,827)	533,502
Change in Net Assets				12,814	11,554	24,368
Net Assets Beginning of Year				288,536	206,760	495,296
Net Assets End of Year				\$301,350	\$218,314	\$519,664

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR YEAR ENDED DECEMBER 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Security of Persons and Property	\$118,405			(\$118,405)		(\$118,405)
Public Health Services	24,516	\$8,519		(\$15,997)		(15,997)
Leisure Time Activities	7,608			(\$7,608)		(7,608)
Community Environment	5,166	465		(\$4,701)		(4,701)
Transportation	124,070	954	\$109,003	(\$14,113)		(14,113)
General Government	198,474	66,621		(\$131,853)		(131,853)
Capital Outlay	22,305			(\$22,305)		(22,305)
Debt Service:						
Principal	261,912			(\$261,912)		(261,912)
Interest	38,209			(\$38,209)		(38,209)
Total Governmental Activities	800,664	76,559	109,003	(615,102)		(615,102)
BUSINESS-TYPE ACTIVITIES						
Water	234,431	261,847			\$27,416	27,416
Sewer	124,355	253,130			128,775	128,775
Enterprise Deposit Fund	2,725	5,850			3,125	3,125
Total Business-Type Activities	361,511	520,827			159,316	159,316
Total Primary Government	\$1,162,175	\$597,385	\$109,003	(615,102)	159,316	(455,787)
GENERAL RECEIPTS						
Property Taxes				52,550		52,550
Municipal Income Taxes				187,131		187,131
Other Taxes				6,856		6,856
Grants Entitlements not Restricted to Specific Programs				139,514		139,514
Other Debt Proceed				80,000		80,000
Sale of Fixed Assets				2,502		2,502
Earnings on investments				19,156		19,156
Miscellaneous				6,388	7,148	13,536
Total General Receipts				494,096	7,148	501,244
Transfers				141,624	(141,624)	
Total General Receipts, Special & Extraordinary Items, Transfers and Advances				635,720	(134,476)	501,244
Change in Net Assets				20,618	24,840	45,458
Net Assets Beginning of Year				267,920	181,921	449,840
Net Assets End of Year				\$288,538	\$206,760	\$495,298

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Street Construction, Maintenance and Repair	OWDA Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$125,146	\$66,828	\$30,646	\$78,730	\$301,350
Total Assets	\$125,146	\$66,828	\$30,646	\$78,730	\$301,350
FUND BALANCES					
Reserved:					
Reserved for Encumbrances	\$28,141	\$2,475		\$7,987	\$38,603
Reserved for Unclaimed Monies	520				520
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	96,485				96,485
Special Revenue Funds		64,353		54,466	118,819
Debt Service Fund			\$30,646	277	30,923
Capital Projects Funds				16,000	16,000
Total Fund Balances	\$125,146	\$66,828	\$30,646	\$78,730	\$301,350

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Street Construction, Maintenance and Repair	OWDA Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$1,690	\$26,036		\$22,210	\$49,937
Investments	\$149,194	\$29,000	\$27,456	\$32,950	\$238,600
 Total Assets	 \$150,885	 \$55,036	 \$27,456	 \$55,160	 \$288,537
 FUND BALANCES					
Reserved:					
Reserved for Encumbrances	\$19,391	\$3,031		\$374	\$22,796
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	131,494				131,494
Special Revenue Funds		52,005		52,062	104,067
Debt Service Fund			27,456	294	27,749
Capital Projects Funds				2,431	2,431
 Total Fund Balances	 \$150,885	 \$55,036	 \$27,456	 \$55,160	 \$288,537

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Street Construction Maintenance and Repair	Construction	OWDA Debt Service	Other Governmental Funds	Total
RECEIPTS:						
Property and Other Local Taxes	\$43,602				\$17,638	\$61,240
Municipal Income Taxes	200,248					200,248
Intergovernmental	59,432	68,244	211,181		5,330	344,187
Special Assessments	193	320			2,482	2,995
Charges for Services	44,900				10,539	55,439
Fines, Licenses, and Permits	16,695				1,273	17,968
Earnings on investments	17,479	1,265		3,085	100	21,929
Miscellaneous	4,352	2,043			100	6,495
Total Receipts	386,901	71,872	211,181	3,085	37,462	710,501
DISBURSEMENTS:						
Current:						
Security of Persons and property	126,837				414	127,251
Public Health Services	4,659				23,436	28,095
Leisure Time Activities	5,158					5,158
Community Environment	5,733					5,733
Basic Utility Services	12,300					12,300
Transportation		70,081			3,443	73,524
General Government	198,522			76,245	54	274,821
Capital Outlay	40,661		211,181		18,321	270,163
Debt Service:						
Principal Retirement	10,434			40,686	1,433	52,553
Interest and Fiscal Charges				12,344	1,063	13,407
Total Disbursements	404,304	70,081	211,181	129,275	48,165	863,006
Excess Receipts Over/(Under) Disbursements	(17,403)	1,791		(126,190)	(10,703)	(152,505)
OTHER FINANCING SOURCES (USES)						
Sale of Fixed Assets	42,800					42,800
Transfers-In		10,000		129,380	18,483	157,863
Transfers-Out	(35,344)					(35,344)
Advances-In	3,131				18,921	22,052
Advances-Out	(18,921)				(3,131)	(22,052)
Total Other Financing Sources (Uses)	(8,334)	10,000		129,380	34,274	165,319
Net Change in Fund Balances	(25,737)	11,791		3,190	23,571	12,814
Fund Balances Beginning of Year	150,885	55,036		27,456	55,160	288,537
FUND BALANCES END OF YEAR	\$125,148	\$66,828		\$30,645	\$78,731	\$301,352

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Street Construction Maintenance and Repair	General Obligation Bond Retirement	OWDA Debt Service	Other Governmental Funds	Total
RECEIPTS:						
Property and Other Local Taxes	\$42,200				\$17,206	\$59,406
Municipal Income Taxes	187,131					187,131
Intergovernmental	59,430	\$73,044		\$60,748	90,420	283,642
Special Assessments	406	624			2,502	3,531
Charges for Services	46,200	330			8,520	55,050
Fines, Licenses, and Permits	19,642				1,144	20,786
Earnings on investments	15,238	997		2,843	78	19,156
Miscellaneous	4,204	27,499				31,703
Total Receipts	374,451	102,494		63,591	119,869	660,405
DISBURSEMENTS:						
Current:						
Security of Persons and property	118,405					118,405
Public Health Services	4,429				20,086	24,516
Leisure Time Activities	7,608					7,608
Community Environment	5,166					5,166
Transportation		80,576			43,494	124,070
General Government	196,411				2,063	198,474
Capital Outlay	3,821				79,233	83,054
Debt Service:						
Principal Retirement	10,434		\$102,343	147,787	1,348	261,912
Interest and Fiscal Charges			3,732	33,328	1,149	38,209
Total Disbursements	346,274	80,576	106,075	181,115	147,374	861,413
Excess Receipts Over/(Under) Disbursements	28,177	21,919	(106,075)	(117,524)	(27,505)	(201,009)
OTHER FINANCING SOURCES (USES)						
Sale of Notes			80,000			80,000
Transfers-In		10,000	23,646	121,332	2,028	157,006
Transfers-Out	(15,381)					(15,381)
Advances-In	3,944				6,375	10,319
Advances-Out	(6,375)				(3,944)	(10,319)
Total Other Financing Sources (Uses)	(17,812)	10,000	103,646	121,332	4,458	221,624
Net Change in Fund Balances	10,365	31,919	(2,429)	3,808	(23,046)	20,616
Fund Balances Beginning of Year	140,520	23,117	2,429	23,648	78,206	267,920
FUND BALANCES END OF YEAR	\$150,885	\$55,036		\$27,456	\$55,160	\$288,535

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
RECEIPTS:				
Property and Other Local Taxes	\$37,400	\$37,400	\$43,602	\$6,202
Municipal Income Taxes	200,000	200,000	200,248	248
Intergovernmental	53,000	53,000	59,432	6,432
Special Assessments			193	193
Charges for Services	42,000	42,000	44,900	2,900
Fines, Licenses, and Permits	22,350	22,350	16,695	(5,655)
Earnings on investments	9,000	9,000	17,479	8,479
Miscellaneous	2,300	2,300	3,884	1,584
Total Receipts	366,050	366,050	386,433	20,383
DISBURSEMENTS:				
Current:				
Security of Persons and property	131,299	132,118	131,540	578
Public Health Services	4,660	4,660	4,659	1
Leisure Time Activities	14,140	14,140	5,829	8,311
Community Environment	15,082	15,082	5,733	9,349
Basic Utility Services		12,300	12,300	
General Government	228,821	265,148	221,290	43,858
Capital Outlay	21,955	41,736	40,661	1,075
Debt Service:				
Principal Retirement	10,450	10,450	10,434	16
Interest and Fiscal Charges				
Total Disbursements	426,407	495,634	432,447	63,188
Excess Receipts Over/(Under) Disbursements	(60,357)	(129,584)	(46,013)	(83,571)
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets		39,000	42,800	3,800
Transfers-In				
Transfers-Out	(17,525)	(35,344)	(35,344)	
Advances-In	85,625	19,900	3,131	(16,769)
Advances-Out	(85,626)	(20,889)	(18,921)	(39,810)
Total Other Financing Sources (Uses)	(17,526)	2,667	(8,334)	(11,002)
Net Change in Fund Balances	(77,883)	(126,917)	(54,348)	72,569
Unencumbered Cash Balance Beginning of Year	131,962	131,962	131,962	
Prior Year Encumbrances Appropriated	19,391	19,391	19,391	
UNENCUMBERED CASH END OF YEAR	\$73,469	\$24,435	97,005	\$72,569
Unclaimed Money			520	
Unencumbered Undesignated Fund Balance			\$96,485	

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS:				
Property and Other Local Taxes	\$37,400	\$37,400	\$42,200	\$4,800
Municipal Income Taxes	200,000	200,000	187,131	(12,869)
Intergovernmental	52,918	52,918	59,430	6,512
Special Assessments			406	406
Charges for Services	42,000	42,000	46,200	4,200
Fines, Licenses, and Permits	22,350	22,350	19,642	(2,708)
Earnings on investments	9,000	9,000	15,238	6,238
Miscellaneous	2,250	2,250	4,194	1,944
Total Receipts	365,918	365,918	374,441	8,523
DISBURSEMENTS:				
Current:				
Security of Persons and property	127,453	129,448	124,731	4,716
Public Health Services	4,450	4,450	4,429	21
Leisure Time Activities	13,628	12,005	8,847	3,158
Community Environment	14,588	18,460	5,184	13,276
General Government	225,507	228,084	207,263	20,821
Capital Outlay	9,775	9,775	4,776	4,999
Debt Service:				
Principal Retirement	10,450	10,450	10,434	16
Total Disbursements	405,850	412,672	365,665	47,007
Excess Receipts Over/(Under) Disbursements	(39,933)	(46,754)	8,776	55,530
OTHER FINANCING SOURCES (USES)				
Transfers-Out	(16,000)	(16,385)	(15,381)	1,004
Advances-In	92,000	3,944	3,944	
Advances-Out		(6,375)	(6,375)	
Other Financing Uses	(92,000)			
Total Other Financing Sources (Uses)	(16,000)	(18,816)	(17,812)	1,004
Net Change in Fund Balances	(55,933)	(65,570)	(9,036)	56,534
Fund Balance Beginning of Year	111,719	111,719	111,719	
Prior Year Encumbrances Appropriated	28,811	28,811	28,811	
FUND BALANCE END OF YEAR	\$84,597	\$74,960	\$131,494	\$56,534

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS:				
Intergovernmental	\$67,475	\$63,575	\$68,244	\$4,669
Special Assessments	100	100	320	220
Earnings on investments	765	765	1,265	500
Miscellaneous	1,800	1,800	2,043	243
Total Receipts	<u>70,140</u>	<u>66,240</u>	<u>71,872</u>	<u>5,632</u>
DISBURSEMENTS:				
Current:				
Transportation	90,687	92,012	70,081	21,931
Total Disbursements	<u>90,687</u>	<u>92,012</u>	<u>70,081</u>	<u>21,931</u>
Excess Receipts Over/(Under) Disbursements	<u>(20,547)</u>	<u>(25,772)</u>	<u>1,791</u>	<u>27,563</u>
OTHER FINANCING SOURCES (USES)				
Transfers-In	10,000	10,000	10,000	
Net Change in Fund Balances	(10,547)	(15,772)	11,791	27,563
Fund Balance Beginning of Year	52,005	52,005	52,005	
Prior Year Encumbrances Appropriated	3,031	3,031	3,031	
FUND BALANCE END OF YEAR	<u>\$44,490</u>	<u>\$39,265</u>	<u>\$66,828</u>	<u>\$27,563</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
RECEIPTS:				
Intergovernmental	\$62,175	\$62,175	\$73,044	\$10,869
Special Assessments			624	624
Charges for Services			330	
Earnings on investments	475	475	997	522
Miscellaneous	900	900	1,877	977
Total Receipts	63,550	63,550	76,872	13,322
DISBURSEMENTS:				
Current:				
Transportation	94,243	101,820	83,607	18,213
Total Disbursements	94,243	101,820	83,607	18,213
Excess Receipts Over/(Under) Disbursements	(30,693)	(38,270)	(6,735)	31,536
OTHER FINANCING SOURCES (USES)				
Transfers-In	10,000	10,000	10,000	
Net Change in Fund Balances	(20,693)	(28,270)	3,265	31,536
Fund Balance Beginning of Year	23,117	23,117	23,117	
Prior Year Encumbrances Appropriated	2,202	2,202	2,202	
FUND BALANCE END OF YEAR	\$4,626	(\$2,951)	\$28,585	\$31,536

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUND
DECEMBER 31, 2007**

	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Deposit Fund</u>	<u>Total Enterprise Funds</u>
ASSETS				
Equity in Pooled Cash and Cash Equivalents	<u>\$67,870</u>	<u>\$114,635</u>	<u>\$35,820</u>	<u>\$218,325</u>
Total Assets	<u><u>\$67,870</u></u>	<u><u>\$114,635</u></u>	<u><u>\$35,820</u></u>	<u><u>\$218,325</u></u>
NET ASSETS				
Unrestricted	<u>\$67,870</u>	<u>\$114,635</u>	<u>\$35,820</u>	<u>\$218,325</u>
Total Net Assets	<u><u>\$67,870</u></u>	<u><u>\$114,635</u></u>	<u><u>\$35,820</u></u>	<u><u>\$218,325</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUND
DECEMBER 31, 2006**

	Water	Sewer	Enterprise Deposit Fund	Total Enterprise Funds
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$15,857	\$19,145	\$33,222	\$68,224
Investments	\$74,953	\$63,582		\$138,535
Total Assets	\$90,810	\$82,727	\$33,222	\$206,759
NET ASSETS				
Unrestricted	\$90,810	\$82,727	\$33,222	\$206,759
Total Net Assets	\$90,810	\$82,727	\$33,222	\$206,759

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND NET ASSETS - CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Deposit Fund</u>	<u>Enterprise Total</u>
OPERATING RECEIPTS				
Charges for Services	<u>\$275,687</u>	<u>\$279,600</u>	<u>\$7,297</u>	<u>\$562,584</u>
Total Operating Receipts	<u>275,687</u>	<u>279,600</u>	<u>7,297</u>	<u>562,584</u>
OPERATING DISBURSEMENTS				
Personal Services	54,125	49,735		103,860
Employee Fringe Benefits	12,339	21,549		33,888
Contractual Services	162,020	34,210		196,230
Supplies and Materials	7,651	8,308		15,959
Other			<u>4,700</u>	<u>4,700</u>
Total Operating Disbursements	<u>236,134</u>	<u>113,802</u>	<u>4,700</u>	<u>354,636</u>
Operating Income (Loss)	39,553	165,798	2,597	207,948
NON-OPERATING RECEIPTS (DISBURSEMENTS)				
Miscellaneous Receipts	644	2,162		2,806
Capital Outlay	<u>(58,334)</u>	<u>(18,222)</u>		<u>(76,556)</u>
Total Non-Operating Receipts (Disbursements)	<u>(57,690)</u>	<u>(16,060)</u>		<u>(73,750)</u>
Income (Loss) Before Transfers	<u>(18,137)</u>	<u>149,738</u>	<u>2,597</u>	<u>134,198</u>
Transfers-In	3,358	3,502		6,860
Transfers-Out	<u>(8,160)</u>	<u>(121,332)</u>		<u>(129,492)</u>
Change in Net Assets	(22,939)	31,908	2,597	11,566
Net Assets Beginning of Year	<u>90,810</u>	<u>82,727</u>	<u>33,222</u>	<u>206,759</u>
NET ASSETS END OF YEAR	<u><u>\$67,871</u></u>	<u><u>\$114,635</u></u>	<u><u>\$35,820</u></u>	<u><u>\$218,325</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND NET ASSETS - CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Water	Sewer	Enterprise Deposit Fund	Enterprise Total
OPERATING RECEIPTS				
Charges for Services	\$261,847	\$253,130	\$5,850	\$520,827
Total Operating Receipts	261,847	253,130	5,850	520,827
OPERATING DISBURSEMENTS				
Personal Services	53,006	50,678		103,684
Employee Fringe Benefits	11,706	21,130		32,836
Contractual Services	146,538	41,727		188,265
Supplies and Materials	4,546	6,261		10,807
Other			2,725	2,725
Total Operating Disbursements	215,796	119,796	2,725	338,317
Operating Income (Loss)	46,051	133,334	3,125	182,510
NON-OPERATING RECEIPTS (DISBURSEMENTS)				
Miscellaneous Receipts	1,187	5,961		7,148
Capital Outlay	(18,636)	(4,559)		(23,195)
Total Non-Operating Receipts (Disbursements)	(17,449)	1,402		(16,047)
Income (Loss) Before Transfers	28,603	134,736	3,125	166,464
Transfers-In	1,636	1,718		3,354
Transfers-Out		(144,978)		(144,978)
Change in Net Assets	30,239	(8,524)	3,125	24,840
Net Assets Beginning of Year	60,571	91,252	30,097	181,921
NET ASSETS END OF YEAR	\$90,810	\$82,728	\$33,222	\$206,760

See accompanying notes to the basic financial statements.

VILLAGE OF WEST SALEM
WAYNE COUNTY

STATEMENT FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2007

	<u>Agency</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	<u>\$990</u>
Total Assets	<u><u>\$990</u></u>
NET ASSETS	
Restricted for:	
Other Purposes	<u>\$990</u>
Total Net Assets	<u><u>\$990</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF WEST SALEM
WAYNE COUNTY

STATEMENT FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2006

	<u>Agency</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,302</u>
Total Assets	<u><u>\$2,302</u></u>
NET ASSETS	
Restricted for:	
Other Purposes	<u>\$2,302</u>
Total Net Assets	<u><u>\$2,302</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. REPORTING ENTITY

The Village of West Salem, Wayne County, (the Village) is a body of 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 elected at large for four-year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general governmental services including water and sewer utilities, maintenance of Village roads and bridges, park operations and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting, in the government-wide financial statements and the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its Enterprise Funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

1. Government-Wide Financial Statements

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a separate column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from the exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

1. Governmental Funds

The Villages classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. One Village major governmental fund is the General Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

1. Governmental Funds (continued)

The Street and State Highway Funds are two other major funds. They are used to account for all financial resources received from license and gasoline tax and its use is restricted to street maintenance and repair.

The OWDA Debt Service Fund is also a major fund. Revenue is transferred from utility fund collections. Debt service balances are restricted to the payment of Village obligations.

The Grant Construction Water Plant Fund was a major fund during 2007. Revenue from grants and loans has paid for planning. Construction costs will be managed from this fund. It is expected that construction will be paid primarily with loans.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users' within the Village.

Utility Deposit Fund - The utility deposit fund accounts for the residential and commercial users' deposits.

Internal Service Fund - Internal service funds account for services provided by one department of the Village to another on a cost-reimbursement basis. The Village does not have an internal service fund.

3. Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organization, or other governments which are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organization or other governments. The Village's agency funds account for unclaimed money and the collections and disbursements in Mayor's Court.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, division, and office level and within each, for personal services.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

Village records identify the purchase of specific investments in specific funds.

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments (continued)

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents."

Investments are recorded as assets. 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 negative receipts (contra revenue), respectively.

During 2007 and 2006, the Village invested in nonnegotiable certificates of deposit, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 were \$17,479 which includes \$9,477 assigned from other Village funds, and were \$15,238 and \$8,164, in 2006, respectively.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, or enabling legislation. Restricted assets represent \$176,204 or 58.47% of governmental assets in 2007, and \$137,652 or 47.71% in 2006.

G. Inventory and Prepaid Items

The Village reports disbursement for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets or liabilities in the accompanying financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

K. Employer Contributions to Cost-Sharing Pensions

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

L. Long-Term Obligations

The Village's cash basis financial statement do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

At the close of 2007, \$176,204 in assets were restricted by enabling legislation, or other government regulations. At the close of 2006, \$137,652 in assets were restricted by enabling legislation.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Interfund Transactions (continued)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

As of December 31, 2007 there were no deficit fund balances.

B. Compliance

The Clerk-Treasurer is unaware that there are any significant violations.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the general, street, and state highway funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balances (and outstanding year end advances are treated as another financing source or use (budgetary basis) rather than as an interfund receivable or payable). The encumbrances outstanding at year end (budgetary basis) amounted to \$28,141 for the General Fund, \$2,475 for the Street Fund. The General Fund had an outstanding advance-back of \$18,221 at the end of the year.

5. DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute in three categories.

Active monies are public monies necessary to meet current demands upon the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Village has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

5. DEPOSITS AND INVESTMENTS (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end \$103,740 of the Village's bank balance of \$203,740 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

5. DEPOSITS AND INVESTMENTS (continued)

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Council of the Village of West Salem has authorized the Clerk-Treasurer of the Village to invest interim money in certificates of deposit or in STAR Ohio at her discretion. The Village has not established a policy regarding rate risk. The longest maturity for certificates of deposit is twelve months. Most of the certificates of deposit mature in three or six months.

General Fund investments are in STAR Ohio. Investments in STAR Ohio may be increased or decreased at any time without penalty. The interest rate as of December 31, 2007 was 4.53 percent. As of December 31, 2007, \$120,457 of General Fund assets were invested with STAR Ohio. OWDA Debt Service Fund STAR Ohio investments total \$30,646. Other general government fund investments in STAR Ohio were \$18,813 at December 31, 2007.

The interest rate as of December 31, 2006 was 5.15 percent. As of December 31, 2006, \$133,676 of General Fund assets were invested with STAR Ohio. OWDA Debt Service Fund STAR Ohio investments totaled \$27,456. Other general governmental fund investments were \$17,889 at December 31, 2006.

Water Fund and Sewer Fund investments In STAR Ohio as of December 31, 2007 were \$66,646 and \$88,412, respectively.

Water Fund and Sewer Fund investments in STAR Ohio as of December 31, 2006 were \$80,480 and \$52, 583, respectively.

In 2007 and 2006 Street Fund holds one certificate of deposit for \$10,000 which will mature in six months. State Highway Fund has three certificates of deposit, each for six months. The first is a \$6,000 certificate. The second and third certificates are for \$8,000 and \$15,000, respectively. Other governmental fund certificates of deposit total \$13,600. Interest rates range from 3.75 percent to 5.20 percent.

In 2007 and 2006, there is one certificate of deposit for Sewer Fund in the amount of \$5,000 which matures in six months. The interest rate is 4.65 percent for 2007 and 3.65 percent for 2006.

In summary, as of December 31, 2007, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
U.S. Treasury Bill Savings (Escrow)	\$7,387	n/a
Certificates of Deposit	57,600	3-12 months
STAR Ohio	<u>324,975</u>	n/a
Total Portfolio	<u><u>\$389,962</u></u>	

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

5. DEPOSITS AND INVESTMENTS (continued)

Investment Type	Carrying Value	Investment Maturities (in Years)			
		Less than 1	1-2	3-5	More than 5
Certificates of Deposit	\$57,600	\$57,600			
Savings	7,387	7,387			
STAR Ohio	324,976	324,976			
Total Investments	<u>\$389,963</u>	<u>\$389,963</u>			

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U. S. Treasury Bills are exposed to custodial risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirement in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." The Village does not hold securities subject to custodial risk.

6. INCOME TAXES

The Village levies a .75 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the village. In the latter case, the Village does not allow a credit of actual taxes paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

7. PROPERTY TAX

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at carrying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006 on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all general fund operations for the year ended December 31, 2007, was \$24 per \$1,000 of assessed value, and for cemetery operations for the year ended December 31, 2007, was \$10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$12,472,630
New Construction	178,080
Commercial/Industrial/Mineral	3,469,780
Public Utility Property	
Real	
Personal	366,520
Tangible Personal Property	<u>2,482,400</u>
Total Assessed Value	<u><u>\$18,969,410</u></u>

8. INTERFUND RECEIVABLES/PAYABLES

Interfund balances at December 31, 2007, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Other Governmental Funds	\$18,221
Water	
Sewer	
Total General Fund	<u><u>\$18,221</u></u>

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

8. INTERFUND RECEIVABLES/PAYABLES (continued)

The balance due to the General Fund is for an advance made to the Grant Construction - City Hall Fund which will be paid by a reimbursing grant from the Ohio Cultural Facilities Commission.

9. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007 the Village has obtained property and liability insurance through the Ohio Government Risk Management Plan. Coverage is for comprehensive property and general liability; vehicles; errors and omissions; law enforcement; inland marine; and electronic data processing.

Property coverage contracts protect against losses, subject to a deductible of \$1,000 limited to an annual aggregate loss of \$3,000,000.

The current policy is in effect until August 10, 2008.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims. The Village participates in a group rating program.

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

10. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined benefit pension plan; and the Combined Plan - a cost-sharing, multiple-employer pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as post-retirement healthcare coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-retirement healthcare coverage. In order to qualify for post-employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in *GASB Statement 12*.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

10. DEFINED BENEFIT PENSION PLANS (continued)

A. Ohio Public Employees Retirement System (continued)

A portion of each employer's contribution is set aside for the funding of post-retirement healthcare. The Ohio Revised Code provides statutory authority for employer contributions. In 2007 state employers contributed at a rate of 13.77 percent of covered payroll, local government employer units contributed at 13.85 percent of covered payroll and public safety and law enforcement employer units contributed at 17.17 percent. The portion of employer contributions, for all employers, allocated to healthcare was 5.00 percent from January 1 through June 30, 2007 and 7.00 percent from July 1 through December 31, 2007.

B. Statutory Authority

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment healthcare through their contributions to OPERS. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions exist only within the Traditional Pension Plan.

In 2007 member contribution rates were 9.5 percent for members in state in local classifications. Public safety members contributed 9.75 percent. Members of the law enforcement classification, which consists generally of sheriffs, deputy sheriffs, and township police, contributed at a rate of 10.1 percent.

C. Summary of Assumptions

Actuarial Review - The assumptions and calculations below were based on OPERS' last actuarial review performed as of December 31, 2006.

Funding Method - The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 14 percent corridor.

Investment Return -The investment assumption rate for 2006 was 6.50 percent.

Active Employee Total Payroll - An annual increase of 4.00 percent, compounded annually, is the base portion of the individual pay increases over and above 4.00 percent base increase, were assumed to range from 0.50 percent to 6.30 percent.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

10. DEFINED BENEFIT PENSION PLANS (continued)

C. Summary of Assumptions (continued)

Healthcare - Healthcare cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 percent to 5.00 percent for the next 8 years. In subsequent years, (9 and beyond) healthcare costs were assumed to increase at 4.00 percent (the projected inflation rate).

D. OPEB

OPEB is advance-funded on an actuarially determined basis. The following disclosures are required;

1. The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in December 31, 2006, actuarial valuation was 362,130.
2. The rates stated in Section A, above, are the contractually required contribution rates for OPERS. For the period January 1, through June 30, 2007, the Village of West Salem contributions made to fund post-employment benefits were approximately \$7,536. For the period July 1 through December 31, 2007, approximate contributions by the Village were \$9,027. Note: the Village of West Salem police officers are all part-time. Their contributions are at the same rate as local governmental employees.
3. The amount of \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006.
4. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2006, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB at \$30.7 billion and \$18.7 billion, respectively.

E. OPERS Board of Trustees Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 6, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

F. Total Required Employer Contributions

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$43,840, \$38,792, and \$38,612, respectively. The full amount has been contributed for 2007, 2006, and 2005. There are no Village employees participating in the member directed plan.

G. Ohio Police and Fire Pension Fund

The Village does not contribute to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. The Village has no full-time officers.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

11. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement healthcare coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Healthcare coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement healthcare coverage. The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement healthcare based on authority granted by State statute.

B. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined benefit pension plan; and the Combined Plan - a cost-sharing, multiple-employer pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment healthcare coverage.

In order to qualify for post-employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of Other Post Employment Benefit (OPEB) as described in *GASB Statement 45*.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43125-4642 or by calling (613) 222-5601 or (800) 222-7377.

C. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement healthcare benefits.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

11. POSTEMPLOYMENT BENEFITS (continued)

C. Funding Policy (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2007, local government employer units contributed at 13.85 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to OPEB Plan.

OPERS Post-employment Healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment healthcare benefits. For 2007, the employer contribution allocated to the healthcare plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0 percent and 6.0 percent of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

D. Village 2007 Contributions for Post-employment Benefits

The rates stated in Section B, above, are the contractually required contributions for OPERS. The portion of the Village contributions during 2007 that were used to fund post-employment benefits were approximately \$7,536 for the period January 1, 2007 through June 30, 2007, and \$9,027 for the period July 1, 2007 through December 31, 2007.

E. OPERS Health Care Preservation

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

F. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides, postretirement healthcare coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide healthcare coverage and states that healthcare costs paid from the funds of OP&F shall be included in the employer's contribution rate. Healthcare funding and accounting is on a pay-as-you-go basis.

The Village had no participants in the plan during 2007 and made no contributions.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

12. NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2007, follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>
Bond Anticipation Note 2006 Issue	5.25%	<u>\$91,585</u>		<u>\$14,497</u>	<u>\$77,088</u>

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2006</u>
Bond Anticipation Note	5.25%	<u>\$109,813</u>		<u>\$18,228</u>	<u>\$91,585</u>

The 2006 note was issued to retire a prior note. The original issue was for the construction of sanitary sewer system improvements. All note proceeds had been spent prior to December 31, 2001. The bond anticipation note is backed by a full faith and credit of the Village and matures within five years of issue. The Village has and will continue to make equal monthly payments of \$1,519 until the note is retired.

13. DEBT

The Village's long-term debt activity for the year ended December 31, 2007 was as follows:

<u>Business-Type Activities</u>	<u>Average Interest Rate</u>	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>	<u>Due Within One Year</u>
Combined OWDA Loans	4.49%	\$593,314		\$27,479	\$565,835	\$102,867
Combined OPWC Loans		<u>74,579</u>		<u>10,577</u>	<u>\$64,002</u>	<u>8,000</u>
		<u>\$667,893</u>		<u>\$38,056</u>	<u>\$629,837</u>	<u>\$110,867</u>

<u>Business-Type Activities</u>	<u>Average Interest Rate</u>	<u>Balance December 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2006</u>	<u>Due Within One Year</u>
Combined OWDA Loans	4.49%	\$743,846	\$80,000	\$230,532	\$593,314	\$102,867
Combined OPWC Loans		<u>87,731</u>		<u>13,152</u>	<u>\$74,579</u>	<u>8,000</u>
		<u>\$831,577</u>	<u>\$80,000</u>	<u>\$243,684</u>	<u>\$667,893</u>	<u>\$110,867</u>

Three of the Ohio Water Development Authority (OWDA) loans relate to sewer system projects that were mandated by the Ohio Environmental Protection Agency. A fourth loan was for a water system extension project. A fifth loan finances water plant design. Until the design loan is rolled into a construction loan, the Village will make semi-annual payments of principal only. The loans are being repaid in semi-annual installments including interest, over a maximum of 20 years.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

13. DEBT (continued)

The \$78,000 Pilot Project was completed during 2006 with final payments from the loan being drawn in January 2007. The final loan amount was reduced to \$45,680. The new \$321,923 OWDA Design Loan is used to finance the design phase of the Water Plant Project. Although the final loan amount is not determined, the Village has begun making semi-annual payments and will continue to do so until the design loan is combined with the construction loan.

The Ohio Public Works Commission (OPWC) loans relate to water system projects. The two loans were being repaid in semiannual installments of \$6,576 which is for principle only. Both loans were 0 percent interest loans. The Water Line Project loan was paid off in 2007. The Water Tower loan will be paid in full in 2016. New semi-annual payments will be \$4,000.

The following is a summary of the Village's future debt service requirements:

Year	G. O. Notes		OWDA Loans		OPWC Loans	
	Principle	Interest	Principal	Interest	Principal	Interest
2008	\$15,275	\$2,952	\$133,442	\$25,131	\$8,000	
2009	16,096	2,130	97,564	19,933	8,000	
2010	16,962	1,265	58,660	13,278	8,000	
2011	17,866	900	44,041	6,518	8,000	
2012	10,889	609	44,041	4,897	8,000	
2013-2017			110,757	26,948	8,000	
2018-2022			77,330	5,293	16,002	
	<u>\$77,088</u>	<u>\$7,856</u>	<u>\$565,835</u>	<u>\$101,998</u>	<u>\$64,002</u>	

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation.

14. LEASES

The Village leased a 2004 police vehicle under a lease-purchase agreement. During 2007 the Village initiated a new lease-purchase agreement for a 2007 cruiser. The Village disbursed \$14,061 to pay lease cost for the year ended December 31, 2007. These payments included the final lease payment of \$954 for the 2004 cruiser and \$13,106 for the new lease-purchase agreement. Future lease payments are as follows:

Year	Amount
2008	\$4,142
2009	4,142
Total	<u>\$8,284</u>

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

15. INTERFUND TRANSFERS

During 2007 the following transfers were made:

Transfers from the General Fund to:	
Major Governmental Funds	\$10,000
Other Governmental Funds	18,483
Major Enterprise Fund	<u>6,860</u>
Total transfers from the General Fund:	<u><u>\$35,343</u></u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Other transfers:	
From Sewer Fund to OWDA Debt Service	\$121,332
From Water Fund to OWDA Debt Service	<u>8,160</u>
Total other transfers	<u><u>\$129,492</u></u>

16. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

October 2007 Council authorized contracts with Hunter Chase Inc. for \$76,800; and with M. W. Robinson Company, Inc. for \$22,469 for renovations to the Village Hall.

17. CONTINGENT LIABILITIES

The Administration of the Village is not aware of any lawsuits being initiated during 2007 in which the Village is named as a defendant.

18. SUBSEQUENT EVENTS

During 2005, The Administration of the Village was notified that it would be the recipient of a \$92,000 grant from the State to be used for its second floor opera house renovations. During 2006 plans were prepared and approved by the Wayne County Building Department. Bids were solicited three times during 2007 before the project was awarded. Construction began in November. It is expected to be finished in the spring of 2008.

The water plant design was completed by July 2007. EPA approval was finally received in January of 2008. Because of the delayed approval, the administration wants to consider making a second application for State Community Development Block Grant funding. If the administration chooses the re-application option, construction of the water plant would probable not start until early 2009. If the Village does not secure a second \$500,000 grant it will have a larger debt service for the project than previously calculated.

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KNOX & KNOX

Accountants and Consultants

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

Village of West Salem
Wayne County
P. O. Box 256
West Salem, Ohio 44287

To the Village Council:

We have audited the accompanying financial statements of the government activities, the business-type activities each major fund, and the aggregate remaining fund information of the Village of West Salem, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's financial statements and have issued our report thereon dated March 18, 2008 wherein we noted that the Village prepared its financial statements on the cash basis, a comprehensive basis of accounting other 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Village's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We noted no matters involving internal control over financial reporting and its operation that we consider a material weakness.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that a material misstatement will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we noted a matter we reported to the Village Council in a separate letter dated March 18, 2008.

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 audit 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*.

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

KNOX & KNOX

Orrville, Ohio
March 18, 2008



Mary Taylor, CPA
Auditor of State

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
DECEMBER 2, 2008**