

***VILLAGE OF WEST SALEM***

**WAYNE COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2013**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of West Salem, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 3, 2014

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**VILLAGE OF WEST SALEM**  
**WAYNE COUNTY, OHIO**  
**Audit Report**  
**For the Year Ended December 31, 2013**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, 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 year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, 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, 2013, and the changes in cash financial position and the respective budgetary comparison for the General Fund and Street Construction Maintenance and Repair Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

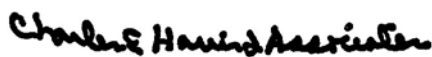
We audited to opine on the Village's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Charles E. Harris & Associates, Inc.**  
July 2, 2014

Village of West Salem  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

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This discussion and analysis of the Village of West Salem's (also referred to as the Village's) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2013, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2013 are as follows:

Net position of governmental activities decreased by \$13,618 or 4 percent, a negative change from the prior year. The fund most affected in cash and cash equivalents was the Street Fund, from which payments for street maintenance were greater than the prior year. No paving was done during 2012. The General Fund's 2013 increase of \$5,217 was significantly less than the 2012 increase of \$21,456. During 2013, within the General Fund, a new cruiser lease purchase agreement was entered into with a \$10,000 down payment.

The Village's general receipts are primarily property and income taxes. Another significant revenue source during 2013 was from debt proceeds. These receipts represent respectively 7, 35 and 22 percent of the total cash received for governmental activities during the year. Property tax receipts for 2013 decreased by \$2,281. There was a slight 2012 increase in property tax valuation was offset by property tax delinquencies. On the other hand income tax receipts increased by \$11,266 over the prior year. The Tax Administrator initiated an amnesty program for delinquent taxes.

The water operation, one of the Village's two business-type activities, operated at a deficit during 2013, with the fund total decreasing \$60,641. In addition to new well field development costs paid from water fund, transfers for debt service were increased to meet semi-annual payments for new loans for property purchase and for planning. The Village also continues to pay debt service on the new water plant and purchase water from Rural Lorain County Water Authority.

The sewer operation, the other Village business-type activity, operated at a modest profit. The Village continues to increase its reserves in anticipation of the next EPA mandated improvements at the time the NPDES permit is renewed.

### **Using the Basic Financial Statements**

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

#### **Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village 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 Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village'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 Village as a Whole**

The statement of net position and the statement of activities reflect how the Village did financially during 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village 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 Village's general receipts.

These statements report the Village'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 Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village'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 position and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets and parks. 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 activities. The Village has two business-type activities, the provision of water and sanitary sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

### **Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village 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 Village are split into three categories: governmental, proprietary and fiduciary.

Village of West Salem  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village'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 Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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 Village's major governmental funds are the General, Street, OWDA Debt Service and Capital Improvement Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village 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 Village has three enterprise funds, the Water, Sanitary Sewer, and Utility Deposit Funds. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

**The Village as a Whole**

Table 1 provides a summary of the Village's net position for 2012 compared to 2013 on a cash basis:

(Table 1)

**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Cash and Cash Equivalents	\$343,626	\$357,244	\$537,683	\$553,703	\$881,309	\$910,947
Total Assets	<u>\$343,626</u>	<u>\$357,244</u>	<u>\$537,683</u>	<u>\$553,703</u>	<u>\$881,309</u>	<u>\$910,947</u>
<b>Net position</b>						
Restricted for:						
Debt Service	\$87,089	\$70,113			\$87,089	\$70,113
Capital Outlay	0	1,777			0	1,777
Other Purposes	146,908	177,673			146,908	177,673
Unrestricted	109,629	107,681	\$537,683	\$553,703	647,312	661,384
Total Net Position	<u>\$343,626</u>	<u>\$357,244</u>	<u>\$537,683</u>	<u>\$553,703</u>	<u>\$881,309</u>	<u>\$910,947</u>

Village of West Salem  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

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As mentioned previously, net position of governmental activities decreased \$13,618 or 4 percent during 2013. The primary reasons contributing to the decreases in cash balances are as follows:

- Uneven growth in local tax receipts. The assessed valuation dropped from \$18,113,230 in 2010 to \$16,768,160 in 2011. The 2012 valuation increased to \$16,874,460, but in 2013 decreased to \$16,870,290. Local wages did not increase, but the income tax amnesty resulted in an increase in income tax receipts during 2013.
- Continued efficient operations at the School House Community Campus.
- The Village did extra street paving during 2013 because none had been done during 2012. The total paving cost, including filling potholes was \$55,756. The breakdown by fund was \$22,509 from Street Fund, \$21,497 from Motor Vehicle License Tax Fund and \$11,750 from the Permissive Tax Fund.
- In 2013 the Village began making debt payments to the OWDA for the well field property purchase and the planning loan. These new payments were transferred from the Water Fund to the OWDA Debt Service Fund.
- Because the Village did not own the water plant property or hold at least a 30 year lease, the Ohio Department of Taxation issued a Final determination that outstanding property taxes should not be waived. Council negotiated to purchase the property. The first \$10,000 purchase payment was made in October 2013.
- During 2013 Water Fund also paid \$35,514 to Frontz Drilling for well field development and \$7,675 for an easement across a farm for the new raw water line.

Table 2 reflects the changes in net position on a cash basis in 2013 and 2012 for governmental activities, business-type activities and total primary government.

Village of West Salem  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

(Table 2)  
**Changes in Net Position**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$75,380	\$69,156	\$642,569	\$613,211	\$717,949	\$682,367
Operating Grants and Contributions	80,650	78,836	-	-	80,650	78,836
Capital Grants and Contributions	2,633	12,606	-	-	2,633	12,606
<b>Total Program Receipts</b>	<b>158,663</b>	<b>160,598</b>	<b>642,569</b>	<b>613,211</b>	<b>801,232</b>	<b>773,809</b>
General Receipts:						
Property and Other Local Taxes	50,837	53,605	-	-	50,837	53,605
Income Taxes	241,915	227,572	-	-	241,915	227,572
Other Taxes	7,336	7,288	-	-	7,336	7,288
Grants and Entitlements Not Restricted to Specific Programs	35,378	43,152	-	-	35,378	43,152
Debt Proceeds	188,312	472,309	-	-	188,312	472,309
Interest	1,119	1,505	-	-	1,119	1,505
Miscellaneous	15,115	7,523	17,345	14,220	32,460	21,743
<b>Total General Receipts</b>	<b>540,012</b>	<b>812,954</b>	<b>17,345</b>	<b>14,220</b>	<b>557,357</b>	<b>827,174</b>
<b>Total Receipts</b>	<b>698,675</b>	<b>973,552</b>	<b>659,914</b>	<b>627,431</b>	<b>1,358,589</b>	<b>1,600,983</b>
Disbursements:						
General Government	116,573	121,516	-	-	116,573	121,516
Security of Persons and Property	181,742	160,273	-	-	181,742	160,273
Public Health Services	36,903	35,689	-	-	36,903	35,689
Leisure Time Activities	62,179	52,528	-	-	62,179	52,528
Community Environment	6,098	7,202	-	-	6,098	7,202
Basic Utilities	-	-	536,014	495,567	536,014	495,567
Transportation	117,100	54,311	-	-	117,100	54,311
Capital Outlay	204,539	520,734	-	-	204,539	520,734
Principal Retirement	87,114	76,532	-	-	87,114	76,532
Interest and Fiscal Charges	39,965	38,626	-	-	39,965	38,626
<b>Total Disbursements</b>	<b>852,213</b>	<b>1,067,411</b>	<b>536,014</b>	<b>495,567</b>	<b>1,388,227</b>	<b>1,562,978</b>
Excess (Deficiency) Before Transfers	(153,538)	(93,859)	123,900	131,864	(29,638)	38,005
Transfers/Advances	139,920	109,094	(139,920)	(109,094)	-	-
<b>Increase (Decrease) in Net Position</b>	<b>(13,618)</b>	<b>15,235</b>	<b>(16,020)</b>	<b>22,770</b>	<b>(29,638)</b>	<b>38,005</b>
Net Position, January 1	357,244	342,009	553,703	530,933	910,947	872,942
<b>Net Position, December 31</b>	<b>\$343,626</b>	<b>\$357,244</b>	<b>\$537,683</b>	<b>\$553,703</b>	<b>\$881,309</b>	<b>\$910,947</b>

Note: Miscellaneous receipts include the 20% medical insurance reimbursement from employee withholding. The Village pays 100% of the insurance premium.

Village of West Salem  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

Program receipts represent only 22 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, zoning permits and inspection fees and lease payments for rental of Community Building rooms.

General receipts represent 78 percent of the Village's total receipts, and of this amount, over 55 percent are local taxes. State and federal grants and entitlements make up 7 percent of general receipts. Debt proceeds comprised 35 percent of the receipts. Interest and Miscellaneous receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs for the mayor council, clerk, administrator, law director, office staff tax department and the auditor. Internal services such as payroll and purchasing are included. Since these costs do not represent direct services to residents, they are limited to 35 percent of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police and street lighting; Public Health Services pays the health department assessment; Leisure Time Activities reflects the costs of maintaining the parks and community campus; the economic development department promotes the Village 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 on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay and security of persons and property, which account for 24 and 21 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 14 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 Village 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.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
General Government	\$116,573	\$57,892	\$121,516	\$65,557
Security of Persons and Property	181,742	181,526	160,273	160,273
Public Health Services	36,903	28,707	35,689	20,915
Leisure Time Activities	62,179	60,886	52,528	52,528
Community Environment	6,098	(1,112)	7,202	6,947
Basic Utilities	0	0	0	(8,950)
Transportation	117,100	36,666	54,311	(22,693)
Capital Outlay	204,539	204,539	520,734	520,734
Principal Retirement	87,114	84,926	76,532	73,581
Interest and Fiscal Charges	39,965	39,520	38,626	37,921
<b>Total Expenses</b>	<b>\$852,213</b>	<b>\$693,550</b>	<b>\$1,067,411</b>	<b>\$906,813</b>

Village of West Salem  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

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The dependence upon property and income tax receipts is apparent as over 35 percent of governmental activities are supported through these general receipts.

### **Business-type Activities**

The water operation of the Village is relatively small and reports receipts that are less than cash disbursements. The Water Fund continues to pay debt service on its new water plant in addition to purchasing water. The water rates were increased effective January 1, 2013 to provide for increased debt payments resulting from the purchase of property for a new well field. Rates were restructured and increased January 1, 2014. There will be another rate increase January 1, 2015. Sanitary sewer operations continue to report receipts greater than disbursements. Village officials have been building a reserve for future construction.

### **The Village's Funds**

Total governmental funds had receipts of \$508,363; transfers in of \$139,920; bond and note proceeds of \$188,312; and sale of fixed assets of \$2,000; all of which total \$838,595. Fund disbursements totaled \$852,213. The fund balance of the General Fund increased \$5,217 as the result of improved income tax collections.

Street Fund balance decreased by \$17,419 because of the paving projects during 2013.

Special Police revenue was greater than disbursement by \$4,971. This fund benefited from increased income tax collections.

State Highway and Mayor's Court Computer funds increased by \$4,784 and \$275 respectively as no major purchases were paid from either fund during 2013.

### **General Fund Budgeting Highlights**

The Village'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 2013, the Village did not amend its General Fund. Final budgeted receipts were the same as original budgeted receipts. Overall actual receipts exceeded original budgeted amounts thanks to the increases in Community Campus lease rates and income tax collections.

Final General Fund disbursements were budgeted at \$347,433 while actual disbursements were \$336,584. Appropriations had been increased during the year to \$364,758. Although the final expenditures were less than the final appropriations, the rate of expenditures during 2013 was greater than the rate of expenditures in 2012. The end result was a much smaller "net gain".

### **Debt Administration**

#### **Debt**

At December 31, 2013, the Village's outstanding debt included \$2,375,338 in Ohio Water Development Authority and Ohio Public Works Commission loans for infrastructure, and \$14,091 in capital leases for equipment. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Village of West Salem  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

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**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our financial forecast continues to predict deficit spending for 2014. 2014 appropriations have been set at a bare minimum. Additional spending will require Council approval. We reviewed our sources of revenue and determined that increases were unlikely unless the employment situation improves. The administration continues to search for funding for the well field and raw water main project. Another alternative would be to secure a large water user. The Ohio Environmental Protection Agency verbally approved construction plans. Written approval is expected before the end of January. The Village will plan to advertise for bids and hopes to begin construction by late spring. A method allowing Congress Township and the Village to jointly support the maintenance of the Community Campus is still being discussed.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village'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 South Main Street, West Salem, Ohio 44287.

**Village of West Salem, Ohio**  
*Wayne County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2013*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$343,626	\$537,683	\$881,309
<i>Total Assets</i>	<u>\$343,626</u>	<u>\$537,683</u>	<u>\$881,309</u>
<b>Net Position</b>			
Restricted for:			
Debt Service	\$87,089		\$87,089
Other Purposes	146,908		146,908
Unrestricted	109,629	\$537,683	647,312
<i>Total Net Position</i>	<u>\$343,626</u>	<u>\$537,683</u>	<u>\$881,309</u>

See accompanying notes to the basic financial statements



**Village of West Salem**  
Wayne County  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2013

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions and Special Assessments	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Current:							
Security of Persons and Property	\$181,742		\$216		(\$181,526)	\$0	(\$181,526)
Public Health Services	36,903	\$8,196			(28,707)	0	(28,707)
Leisure Time Activities	62,179	1,293			(60,886)	0	(60,886)
Community Environment	6,098	7,210			1,112	0	1,112
Transportation	117,100		80,434		(36,666)	0	(36,666)
General Government	116,573	58,681			(57,892)	0	(57,892)
Capital Outlay	204,539				(204,539)	0	(204,539)
Debt Service:							
Principal Retirement	87,114			\$2,188	(84,926)	0	(84,926)
Interest and Fiscal Charges	39,965			445	(39,520)	0	(39,520)
<b>Total Governmental Activities</b>	<b>852,213</b>	<b>75,380</b>	<b>80,650</b>	<b>2,633</b>	<b>(693,550)</b>	<b>0</b>	<b>(693,550)</b>
<b>Business-Type Activities</b>							
Water	339,948	379,262			0	39,314	39,314
Sewer	191,166	259,007			0	67,841	67,841
Utility Deposit Fund	4,900	4,300			0	(600)	(600)
<b>Total Business-Type Activities</b>	<b>536,014</b>	<b>642,569</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>106,555</b>	<b>106,555</b>
<b>Total Primary Government</b>	<b>\$1,388,227</b>	<b>\$717,949</b>	<b>\$80,650</b>	<b>\$2,633</b>	<b>(693,550)</b>	<b>106,555</b>	<b>(586,995)</b>
General Receipts:							
Property Taxes Levied for:							
					36,337		36,337
					14,500		14,500
					7,336		7,336
					241,915		241,915
					35,378		35,378
					188,312		188,312
					2,000		2,000
					1,119		1,119
					13,115	17,345	30,460
					139,920	(139,920)	0
<b>Total General Receipts and Transfers</b>					<b>679,932</b>	<b>(122,575)</b>	<b>557,357</b>
Change in Net Position					(13,618)	(16,020)	(29,638)
<i>Net Position Beginning of Year</i>					357,244	553,703	910,947
<i>Net Position End of Year</i>					<b>\$343,626</b>	<b>\$537,683</b>	<b>\$881,309</b>

See accompanying notes to the basic financial statements

**Village of West Salem, Ohio**  
 Wayne County  
 Statement of Assets and Fund Balances - Cash Basis  
 Governmental Funds  
 December 31, 2013

	General	Street Constr. Main. Rep. Fd.	OWDA Debt Servic Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$105,875	\$63,736	\$87,089	\$0	\$86,926	\$343,626
<i>Total Assets</i>	<u>\$105,875</u>	<u>\$63,736</u>	<u>\$87,089</u>	<u>\$0</u>	<u>\$86,926</u>	<u>\$343,626</u>
<b>Fund Balances</b>						
Restricted		\$63,736	\$87,089		\$83,172	\$233,997
Committed	\$5,612				3,754	9,366
Assigned	11,828					11,828
Unassigned	88,435					88,435
<i>Total Fund Balances</i>	<u>\$105,875</u>	<u>\$63,736</u>	<u>\$87,089</u>	<u>\$0</u>	<u>\$86,926</u>	<u>\$343,626</u>

See accompanying notes to the basic financial statements

**Village of West Salem**  
Wayne County  
*Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis*  
Governmental Funds  
For the Year Ended December 31, 2013

	General	Street Constr. Maint. Repair Fd.	OWDA Debt Service Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$181,591				\$60,324	\$241,915
Property Taxes	36,337				14,500	50,837
Other Local Taxes					7,336	7,336
Intergovernmental	33,264	\$60,140			22,408	115,812
Special Assessments					2,633	2,633
Charges for Services	58,488				8,196	66,684
Fines, Licenses and Permits	7,323				400	7,723
Earnings on Investments	856	84	\$108		71	1,119
Miscellaneous	10,114	1,278			2,912	14,304
<i>Total Receipts</i>	<u>327,973</u>	<u>61,502</u>	<u>108</u>	<u>0</u>	<u>118,780</u>	<u>508,363</u>
<b>Disbursements</b>						
Current:						
Security of Persons and Property	127,195				54,547	181,742
Public Health Services	4,256				32,647	36,903
Leisure Time Activities	62,179					62,179
Community Environment	4,698				1,400	6,098
Transportation		78,921			38,179	117,100
General Government	114,897				1,676	116,573
Capital Outlay	10,000			\$190,089	4,450	204,539
Debt Service:						
Principal Retirement	1,293		83,746		2,075	87,114
Interest and Fiscal Charges	238		39,306		421	39,965
<i>Total Disbursements</i>	<u>324,756</u>	<u>78,921</u>	<u>123,052</u>	<u>190,089</u>	<u>135,395</u>	<u>852,213</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	3,217	(17,419)	(122,944)	(190,089)	(16,615)	(343,850)
<b>Other Financing Sources (Uses)</b>						
OWDA Proceeds				188,312		188,312
Sale of Capital Assets	2,000					2,000
Transfers In			139,920			139,920
<i>Total Other Financing Sources (Uses)</i>	<u>2,000</u>	<u>0</u>	<u>139,920</u>	<u>188,312</u>	<u>0</u>	<u>330,232</u>
<i>Net Change in Fund Balances</i>	5,217	(17,419)	16,976	(1,777)	(16,615)	(13,618)
<i>Fund Balances Beginning of Year</i>	<u>100,658</u>	<u>81,155</u>	<u>70,113</u>	<u>1,777</u>	<u>103,541</u>	<u>357,244</u>
<i>Fund Balances End of Year</i>	<u>\$105,875</u>	<u>\$63,736</u>	<u>\$87,089</u>	<u>\$0</u>	<u>\$86,926</u>	<u>\$343,626</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  
General Fund  
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$175,000	\$175,000	\$181,591	\$6,591
Property Taxes	36,800	36,800	36,337	(463)
Intergovernmental	33,348	33,348	33,264	(84)
Charges for Services	46,640	46,640	58,488	11,848
Fines, Licenses and Permits	11,050	11,050	7,323	(3,727)
Earnings on Investments	1,000	1,000	856	(144)
Miscellaneous	6,500	6,500	10,114	3,614
<i>Total Receipts</i>	<u>310,338</u>	<u>310,338</u>	<u>327,973</u>	<u>17,635</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	124,483	133,749	131,951	1,798
Public Health Services	4,260	4,260	4,256	4
Leisure Time Activities	69,384	70,601	66,277	4,324
Community Environment	11,796	12,128	4,698	7,430
General Government	122,510	130,893	117,870	13,023
Capital Outlay	10,000	10,000	10,000	0
Debt Service:				
Principal Retirement	4,700	2,827	1,294	1,533
Interest and Fiscal Charges	300	300	238	62
<i>Total Disbursements</i>	<u>347,433</u>	<u>364,758</u>	<u>336,584</u>	<u>28,174</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(37,095)	(54,420)	(8,611)	45,809
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets			2,000	2,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>2,000</u>	<u>2,000</u>
<i>Net Change in Fund Balance</i>	(37,095)	(54,420)	(6,611)	47,809
<i>Unencumbered Fund Balance Beginning of Year</i>	88,085	88,085	88,085	0
Prior Year Encumbrances Appropriated	<u>12,571</u>	<u>12,571</u>	<u>12,571</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$63,561</u>	<u>\$46,236</u>	<u>\$94,045</u>	<u>\$47,809</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$58,000	\$58,000	\$60,140	\$2,140
Earnings on Investments	100	100	84	(16)
Miscellaneous			1,278	1,278
<i>Total Receipts</i>	58,100	58,100	61,502	3,402
<b>Disbursements</b>				
Current:				
General Government	84,674	84,674	81,086	3,588
<i>Total Disbursements</i>	84,674	84,674	81,086	3,588
<i>Excess of Receipts Over (Under) Disbursements</i>	(26,574)	(26,574)	(19,584)	6,990
<i>Unencumbered Fund Balance Beginning of Year</i>	77,186	77,186	77,186	0
Prior Year Encumbrances Appropriated	3,969	3,969	3,969	0
<i>Unencumbered Fund Balance End of Year</i>	\$54,581	\$54,581	\$61,571	\$6,990

See accompanying notes to the basic financial statements

**Village of West Salem**  
*Wayne County*  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2013*

	Business-Type Activities			Total Enterprise Funds
	Water Enterprise Fund	Sewer Enterprise Fund	Utility Deposit Fund	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$35,907	\$446,906	\$54,870	\$537,683
<i>Total Assets</i>	<u>\$35,907</u>	<u>\$446,906</u>	<u>\$54,870</u>	<u>\$537,683</u>
<b>Net Position</b>				
Unrestricted	\$35,907	\$446,906	\$54,870	\$537,683
<i>Total Net Position</i>	<u>\$35,907</u>	<u>\$446,906</u>	<u>\$54,870</u>	<u>\$537,683</u>

See accompanying notes to the basic financial statements

**Village of West Salem**  
Wayne County  
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2013

	Business-Type Activities			Total Enterprise Funds
	Water Enterprise Fund	Sewer Enterprise Fund	Enterprise Deposit Fund	
<b>Operating Receipts</b>				
Charges for Services	\$378,500	\$258,140	\$4,300	\$640,940
<i>Total Operating Receipts</i>	<u>378,500</u>	<u>258,140</u>	<u>4,300</u>	<u>640,940</u>
<b>Operating Disbursements</b>				
Personal Services	44,217	66,672		110,889
Employee Fringe Benefits	32,529	27,566		60,095
Contractual Services	186,458	63,963		250,421
Supplies and Materials	12,603	17,021		29,624
Other			4,900	4,900
<i>Total Operating Disbursements</i>	<u>275,807</u>	<u>175,222</u>	<u>4,900</u>	<u>455,929</u>
<i>Operating Income (Loss)</i>	102,693	82,918	(600)	185,011
<b>Non-Operating Receipts (Disbursements)</b>				
Special Assessments	762	867		1,629
Miscellaneous Receipts	12,365	4,980		17,345
Capital Outlay	(53,189)	(15,944)		(69,133)
Principal Retirement	(10,588)			(10,588)
Interest and Other Fiscal Charges	(364)			(364)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(51,014)</u>	<u>(10,097)</u>	<u>0</u>	<u>(61,111)</u>
<i>Income (Loss) before Transfers</i>	51,679	72,821	(600)	123,900
Transfers Out	(112,320)	(27,600)		(139,920)
<i>Change in Net Position</i>	(60,641)	45,221	(600)	(16,020)
<i>Net Position Beginning of Year</i>	<u>96,548</u>	<u>401,685</u>	<u>55,470</u>	<u>553,703</u>
<i>Net Position End of Year</i>	<u>\$35,907</u>	<u>\$446,906</u>	<u>\$54,870</u>	<u>\$537,683</u>

See accompanying notes to the basic financial statements

**Village of West Salem, Ohio**  
*Wayne County*  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2013*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,039
<i>Total Assets</i>	\$1,039
<b>Net Position</b>	
Held for unclaimed money	\$777
Held for Mayor's court	262
<i>Total Net Position</i>	\$1,039

See accompanying notes to the basic financial statements



**Village of West Salem, Ohio**  
*Wayne County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 1 - Reporting Entity**

The Village of West Salem (the Village) is a body politic and corporate 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 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, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

***Primary Government***

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of West Salem provides the following services to its citizens: police, parks and recreation including a community campus, zoning, street maintenance and repairs, and water and sewer utilities. Council has direct responsibility for these services.

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

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in the "Basis of Accounting" section of this note, 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. Following are the more significant of the Village's accounting policies.

***Basis of Presentation***

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-Wide Financial Statements***

The statement of net position 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 in nature and those that are considered business-type activities. 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, Ohio**  
*Wayne County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

The statement of net position presents the cash balance, and debt of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support 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 program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

***Fund Financial Statements***

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order 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. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from 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.

***Fund Accounting***

The Village uses funds 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. The funds of the Village are presented in three categories: governmental, proprietary, and fiduciary.

***Governmental Funds***

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

***General*** - The general fund accounts for and reports all financial resources not accounted for and reported 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.

***Street Construction Maintenance and Repair*** - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

**Village of West Salem, Ohio**  
*Wayne County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

***OWDA Debt Service Fund*** - The OWDA debt service fund accounts for and reports resources restricted for the retirement of debt issued to finance public utilities improvements. The fund accounts for transfers from the public utility funds.

***Capital Improvements Fund*** - The capital improvements fund accounts for and reports grants and loans restricted for the construction of public utilities improvements.

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

***Proprietary Funds***

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

***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 following are the Village's major enterprise funds:

***Water Fund*** - The water fund accounts for the provision of water treatment and distribution 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 utility deposits from residents and commercial users within the Village.

***Fiduciary Funds***

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and 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 account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency funds account for unclaimed money and Mayor's Court revenue.

***Basis of Accounting***

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Village are described in the appropriate section in this note.

**Village of West Salem, Ohio**  
*Wayne County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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 or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

***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 Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

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 the original budgeted amounts on the budgetary statements 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 certificated of estimated resources in effect at the time final appropriations were passed by 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 final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

***Cash and Investments***

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".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported 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.

**Village of West Salem, Ohio**  
*Wayne County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

During 2013, the Village invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The Village's money market fund investment is recorded at the amount reported by Farmers State Bank on December 31, 2013. 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, 2013.

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 2013 was \$856 which includes \$679 assigned from other Village funds.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets.

***Inventory and Prepaid Items***

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

***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.

***Interfund Receivables/Payables***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

***Employer Contributions to Cost-Sharing Pension Plans***

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Village of West Salem, Ohio**  
*Wayne County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

***Long-Term Obligations***

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when 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 an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street repairs and police services.

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

***Restricted*** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Village of West Salem, Ohio**  
*Wayne County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

***Committed*** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

***Unassigned*** - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Interfund Transactions***

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

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.

**Village of West Salem, Ohio**  
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**Note 3 - 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 fund and street fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis is are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) included \$11,828 for the General Fund and \$2,165 for the Street Fund.

**Note 4 – Deposits and Investments**

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

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Active 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 Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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 two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;



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**Note 4 – Deposits and Investments** (continued)

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.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Deposits***

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, none of the Village’s bank balance of \$192,375 (which includes \$82,122 of certificates of deposit) was exposed to custodial credit risk.

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***

As of December 31, 2013, the Village had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-2	3-5	More than 5
Money Market Mutual Fund	\$445,866	\$445,866			
STAR Ohio	251,204	251,204			
<b>Total Investments</b>	<b>\$697,070</b>	<b>\$697,070</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Village of West Salem, Ohio**  
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**Note 4 – Deposits and Investments** (continued)

**Interest Rate Risk** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring 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 the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**Credit Risk** STAR Ohio carries a rating of AAAM by Standard and Poor’s. The money market fund is held by Farmers State Bank and is covered by FDIC insurance. 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

**Custodial Credit Risk** 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 repurchase agreement, federal national mortgage association notes, federal home loan mortgage corporation notes, and the federal home loan bank notes are exposed to custodial credit 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 requirements 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.”

**Concentration of Credit Risk** The Village places no limit on the amount it may invest in any one issuer. The Village does not directly invest in any of the following although the portfolio of its Money Market account may include them:

<u>Investment Issuer</u>
Federal Home Loan Mortgage Corporation Notes
Federal Home Loan Bank Notes
Federal National Mortgage Association Notes

**Note 5 – Income Taxes**

The Village levies a one percent income tax on substantially all income earned in the Village. The Village does not offer an income tax credit for residents employed in municipalities with an income tax. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

**Village of West Salem, Ohio**  
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**Note 5 – Income Taxes** (continued)

The Village’s income tax ordinance requires one quarter percent of the income tax receipts to be used to finance police operations. As a result, this portion of the receipts is allocated to the special police fund each year. The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2013, the receipts were allocated to the general fund and the special police fund.

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes. 2013 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2013, was \$2.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 property tax receipts were based are as follows:

Real Property	\$16,517,330
Public Utility Personal Property	<u>357,130</u>
Total	<u><u>\$16,874,460</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

**Note 7 – Interfund Receivables/Payables**

There were no interfund balances as of December 31, 2013.

**Village of West Salem, Ohio**  
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**Note 8 - Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Village of West Salem, Ohio**  
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**Note 8 - Risk Management** (continued)

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP. Comp Management Health Systems provides administrative, cost control and actuarial services to the GRP.

The Village manages employee health benefits through Wayne County which is on a self-insured basis. The employee health benefit plan provides basic health and dental coverage through Aetna, the third party administrator (TPA) of the program, which reviews and pays the claims. The family and single premiums were \$15,469, and \$6,921 for medical and \$1,324, and \$552 for dental, respectively.

**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Plan Description – The Village participates in the Ohio Public Employees Retirement 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 is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2013, members in the state and local divisions contributed 10% of covered payroll. The Village employed no public safety members and no law enforcement members in 2013. The Village's contribution rate for state and local members in 2013 was 14% of covered payroll.

**Village of West Salem, Ohio**  
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**Note 9 - Defined Benefit Pension Plans** (continued)

The Village's required contributions for pension obligations to the Traditional Pension Plan for the years ended December 31, 2013, 2012, and 2011 were \$37,594, \$36,396, and \$36,549, respectively; 100% has been contributed for 2013, 2012 and 2011.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

***Ohio Police and Fire Pension Fund***

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code required plan members to contribute 10 percent of their annual covered salary through July 1, 2013. As of the first pay period beginning on or after July 2, 2013 the employee contribution rate increased to 10.75%. Employers are required to contribute 19.5 percent for police officers. Contribution rates are established by State statute. The Village's contributions to OP&F for police pensions were \$11,335 for the year ended December 31, 2013, \$10,503 for the year ended December 31, 2012, and \$9,045 for the year ended December 31, 2011. The Village does not operate a fire department. The full amount has been contributed for 2013, 2012 and 2011.

**Note 10 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment healthcare coverage, age-and-service retirees under the Traditional 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 Ohio Revised Code permits, but does not mandate, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

**Village of West Salem, Ohio**  
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**Note 10 - Postemployment Benefits (continued)**

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides statutory authority requiring public employers to fund post-retirement healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, state and local government employers contributed at a rate of 14.0 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 government employer units.

OPERS' Post Employment Health Care plan was established under, and is administered 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 post-employment healthcare benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% for 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$2,685, \$10,398, and \$10,442, respectively; 100 percent has been contributed for 2013, 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

***Ohio Police and Fire Pension Fund***

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for 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. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**Village of West Salem, Ohio**  
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**Note 10 - Postemployment Benefits (continued)**

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent of covered payroll for police employees. Active members do not make contributions to the OBEB Plan.

OP&F maintains funds for healthcare in two separate accounts. One for healthcare benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was 4.69 percent of covered payroll from January 1, 2013 through May 31, 2013 and 2.85 percent of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$3,924 for the year ended December 31, 2013, \$3,634 for the year ended December 31, 2012, and \$3,130 for the year ended December 31, 2011. 100 percent has been contributed for police for the years 2013, 2012 and 2011.

**Note 11 - Debt**

The changes in the Village's long-term debt during 2013 was as follows:

	Outstanding 12/31/12	Additions	Deletions	Outstanding 12/31/13	Due in One Year
Combined OWDA Loans	\$2,253,135	\$192,024	\$85,821	\$2,359,338	\$94,158
1986 OPWC Loan	24,000		8,000	16,000	8,000
WSOS Community Action Loan	10,261	0	2,588	7,674	2,693
Total Governmental Activities	<u>\$2,287,396</u>	<u>\$192,024</u>	<u>\$96,409</u>	<u>\$2,383,012</u>	<u>\$104,851</u>

Principal payments above do not include capital lease payments of \$1,293.



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**Note 11 – Debt** (continued)

One OWDA loan was issued for the extension of a water line on Congress loan. The final principal payment will be made in 2015. A second OWDA loan was for sanitary sewer improvements. The final principal payment will be made in 2023. The OWDA loan for the construction of a new water plant and well field (the well field subsequently failed) will be retired in 2039. This loan was finalized during 2013. The well field loan will be retired in 2042. The OWDA planning loan for the construction of the well field and raw water mains is for five years. Capitalized interest of \$3,712 was added to this loan in October 2013. The Village will roll the planning loan into a construction loan in 2014.

The 1986 OPWC loan financed the construction of a water tower. The final payment on this loan will be made during 2015.

The WSOS loan was taken to investigate the possibility of legal redress in the failure of the well field which was put into operation at the beginning of 2010 and failed by July of that year. The loan will be retired in 2016.

The Village has agreed to set water and sewer rates sufficient to cover the debt service requirements.

Payments for two 2012 loans have been estimated to include capitalized interest. Thus principal and interest requirements to retire outstanding debt at December 31, 2013, are as follows:

Year	Outstanding Debt Payment Requirements					
	WSOS Loan		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$2,693	\$258	\$95,202	\$38,082	\$8,000	
2015	2,803	148	96,993	36,291	8,000	
2016	2,178	36	96,341	34,447		
2017			98,078	32,709		
2018			98,542	32,104		
2019-2030			1,178,268	283,187		
2031-2040			695,914	62,783		
Total	\$7,674	\$442	\$2,359,338	\$519,603	\$16,000	\$0

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 amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2013, were an overall debt margin of \$1,771,818 and an unvoted debt margin of \$928,095.

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**Note 12 – Leases**

The Village leases vehicles under non-cancelable leases. August 19, 2013, the Village took delivery of a 2014 Ford Taurus Interceptor. Anticipated principal payments are as follows:

Year	Amount
2014	\$5,378
2015	5,719
2016	2,994
<b>Total</b>	<b>\$14,091</b>

**Note 13 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Street Fund	OWDA Debt Fund	Other Governmental Funds	Total
<b>Restricted for</b>					
Road Improvements		\$63,736		\$43,987	\$107,723
Community Development				10,085	10,085
Police Operations				16,128	16,128
Cemetery				12,814	12,814
Debt Service			\$87,089	158	87,247
<i>Total Restricted</i>	0	63,736	87,089	83,172	233,997
<b>Committed to</b>					
New Tree Development	\$5,612				5,612
Cemetery				3,754	3,754
<i>Total Committed</i>	5,612	0	0	3,754	9,366
<b>Assigned to</b>					
Year End Encumbrances	11,828				11,828
<i>Total Assigned</i>	11,828	0	0	0	11,828
Unassigned	88,435				88,435
<i>Total Fund Balances</i>	<u>\$105,875</u>	<u>\$63,736</u>	<u>\$87,089</u>	<u>\$86,926</u>	<u>\$343,626</u>

**Village of West Salem, Ohio**  
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**Note 14 - Interfund Transfers**

During 2013, the following transfers were made from enterprise funds:

<b>Transfers To</b>	<b>Transfers From</b>		Total
	Water Fund	Sewer Fund	
OWDA Debt Service Fund	\$112,320	\$27,600	\$139,920
Total	\$112,320	\$27,600	\$139,920

The transfers from Water and Sewer Funds to the OWDA Debt Service Fund provide for the semi-annual payments to the Ohio Water Development Authority.

**Note 15 – Contingent Liabilities**

There were no contingent liabilities during 2013.

**Note 16 – Subsequent Events**

On April 14, 2014, the Village entered into three contracts related to the well field development, raw water main construction, and upgrades to the existing water plant. The total cost of the project is \$2,404,884.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Salem, Wayne County, (the Village) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 2, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

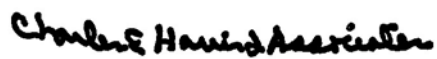
As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village of West Salem, Wayne County  
Independent Auditor's Report on Internal Control Over  
Financial Report and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 2, 2014.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
July 2, 2014

VILLAGE OF WEST SALEM  
WAYNE COUNTY  
December 31, 2013

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2012, reported no material citations or recommendations.



# Dave Yost • 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  
SEPTEMBER 16, 2014**