

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008



Dave Yost • Auditor of State

January 20, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST
Auditor of State

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of West Salem, Wayne County, prepared by Knox & Knox, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2011

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**VILLAGE OF WEST SALEM
WAYNE COUNTY**

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**VILLAGE OF WEST SALEM
WAYNE COUNTY**

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information of the Village of West Salem, Wayne County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the Village has prepared these financial statements and notes using the modified cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Salem, Wayne County, Ohio, as of December 31, 2009 and 2008, and the respective changes in financial position—modified cash basis and the respective budgetary comparison for the General, State Highway, and Street Construction and Repair Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

KNOX & KNOX

Orrville, Ohio
June 30, 2010

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

This discussion and analysis of the Village of West Salem's (also referred to as the Government's) financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2009, within the limitations of the Government's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

HIGHLIGHTS

Key highlights for 2009 are as follows:

Although net assets of governmental activities increased \$69,457, or 25.63 percent a significant change from the prior year. General Fund net assets decreased \$24,713, or 21.74 percent. The fund most affected by the increase in cash and cash equivalents was the Grant Construction Water Plant Fund. Most of the other governmental funds experienced cost increases.

The government's general receipts are primarily property and income taxes and during 2009, Grants and Entitlements. These receipts represent respectively 2.85, 9.59 and 86.63 percent of the total cash received for governmental activities during the year. Income tax receipts for 2009 were \$13,125 lower than receipts in 2008. Development within the corporation has not resumed.

Once again the School House Community Campus expenditures increased significantly over those for the prior year. Energy costs and building maintenance costs continued to increase during 2009. The Village committed money to rehabilitate one of the building's furnaces. A new fund, The West Salem School Campus Fund, was established to track new revenue and the expenditure of the same.

Assets for both water and sanitary sewer operations of the Government's business-type activities, increased during 2009. Construction began on the new water plant. The design loan was rolled into the construction loan and design loan payments from Water Fund were suspended. Village officials have been cooperating with the owners of the local mobile home park in planning for the removal of infiltration from the park's sanitary sewer system. The oldest OWDA loan for sewer construction was paid off in July. Therefore, transfers for debt service from the Sewer Fund were appreciably decreased.

USING THE BASIC FINANCIAL STATEMENTS

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

Report Components

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

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

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

Basis of Accounting

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

As a result of using the modified 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 modified cash basis of accounting.

REPORTING THE GOVERNMENT AS A WHOLE

The statement of net assets and the statement of activities reflect how the Government did financially during 2009, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Government at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Government's general receipts.

These statements report the Government's modified cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Government's financial health. Over time, increases or decreases in the Government's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Government's financial condition, you should also consider other non-financial factors as well such as the Government's property tax base, the condition of the Government's capital assets and infrastructure, the extent of the Government's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

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

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

REPORTING THE GOVERNMENT'S MOST SIGNIFICANT FUNDS

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

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

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

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

THE GOVERNMENT AS A WHOLE

Table 1 provides a summary of the Government's net assets for 2009 compared to 2008 and on a cash basis.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
ASSETS						
Cash and Cash Equivalents	\$44,677	\$73,002	\$72,927	\$57,506	\$117,604	\$130,508
Investments	295,771	197,989	329,043	214,953	624,814	412,942
Total Assets	<u>\$340,448</u>	<u>\$270,991</u>	<u>\$401,970</u>	<u>\$272,459</u>	<u>\$742,418</u>	<u>\$543,450</u>
NET ASSETS						
Restricted for:						
Debt Service	\$31,058	\$31,745			\$31,058	\$31,745
Capital Outlay	80,012	15,022			80,012	15,022
Other Purposes	140,398	110,531			140,398	110,531
Unrestricted	88,980	113,693	401,970	272,459	490,950	386,152
Total Net Assets	<u>\$340,448</u>	<u>\$270,991</u>	<u>\$401,970</u>	<u>\$272,459</u>	<u>\$742,418</u>	<u>\$543,450</u>

As mentioned previously, net assets of governmental activities, aside from the Grant Construction Water Plant Fund, decreased \$35,125 or 13.28 percent during 2009. The primary reasons contributing to the decreases in modified cash balances are as follows:

- Income tax receipts declined \$13,125 or 6.69% from 2008 because of the economic downturn.
- Investment earnings decreased \$9,918 or 81.90% during 2009.
- Operation costs for the School House Community Campus, not supported by lease payments increased by \$51,025 or 51.14%.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Table 2 reflects changes in net assets in 2009. Note: \$100 fund balance adjustment July 31, 2009 increased the 2009 starting balance for Business-type Activities

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Debt Proceeds	\$2,228	\$2,626			\$2,228	\$2,626
Sale of Fixed Assets		2,000				2,000
Interest	2,191	12,109			2,191	12,109
Miscellaneous	6,041	10,404	\$3,903	\$6,078	9,944	16,482
Total General Receipts	1,908,414	540,241	3,903	6,078	1,912,317	546,319
Total Receipts	2,387,772	688,232	607,475	591,691	2,995,247	1,279,923
Disbursements:						
General Government	206,853	215,580			206,853	215,580
Security of Persons and Property	128,617	126,603			128,617	126,603
Public Health Services	31,049	38,192			31,049	38,192
Leisure Time Activities	5,926	5,220			5,926	5,220
Economic Development	11,101	6,386			11,101	6,386
Basic Utilities			392,924	403,814	392,924	403,814
Transportation	52,873	112,710			52,873	112,710
Capital Outlay	1,878,734	192,635			1,878,734	192,635
Principal Retirement	65,868	127,330			65,868	127,330
Interest and Fiscal Charges	16,452	22,909			16,452	22,909
Total Disbursements	2,397,473	847,565	392,924	403,814	2,790,397	1,251,379
Excess (Deficiency) Before Transfers	(9,701)	(159,333)	214,551	187,877	204,850	28,544
Transfers	79,158	129,466	(85,139)	(133,733)	(5,981)	(4,267)
Increase (Decrease) in Net Assets	69,457	(29,867)	129,412	54,144	198,869	24,277
Net Assets, January 1	270,991	300,858	272,559	218,315	543,550	519,173
Net Assets, December 31	\$340,448	\$270,991	\$401,971	\$272,459	742,419	543,450

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009
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During 2009 governmental program receipts represent 20.08 percent of total receipts, as compared with 21.503 percent during 2008, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, cemetery fees; developer fees, court fines and costs. During 2009 business-type program receipts represent 99.36 percent of total receipts, as compared to 98.97 percent during 2008, and are primarily comprised of charges for services.

General receipts represent 63.81 percent of the Government's total receipts, and of this amount, over 6.11 percent are local taxes. State and federal grants and entitlements make up much of the balance of the Government's general receipts (55.195 percent). Government proceeds from debt issues represent .0744 percent of the general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as Mayor's Court and the cost associated with the School House Community Campus. Since these costs do not represent direct services to residents, we have limited these costs to 7.413 percent of General Fund unrestricted receipts.

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

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation, security of persons and property, and capital outlay which account for 1.89, 4.6, and 67.33 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 7.413 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

(Table 3)
Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
General Government	\$206,853	\$162,738	\$215,580	\$160,163
Security of Persons and Property	128,617	128,617	126,603	126,603
Public Health Services	31,049	21,346	38,192	29,206
Leisure Time Activities	5,926	5,926	5,220	5,070
Economic Development	11,101	10,631	6,386	4,686
Basic Utilities		(353,000)		
Transportation	52,873	(19,196)	112,710	30,972
Capital Outlay	1,878,734	1,878,734	192,635	192,635
Principal Retirement	65,868	65,868	127,330	127,330
Interest and Fiscal Charges	16,452	16,452	22,909	22,909
Total Expenses	<u>\$2,397,473</u>	<u>\$1,918,116</u>	<u>\$847,565</u>	<u>\$699,574</u>

The dependence upon property and income tax receipts is apparent as over 9.907 percent of governmental activities are supported through these general receipts. However, if the 2009 construction disbursements are disregarded 45.79 percent of governmental activities are supported through these receipts.

Business-type Activities

The water operation of the Government is relatively small. Receipts now exceed cash disbursements in anticipation of debt payments for the Water Plant. The Village currently purchases water from the Rural Lorain County Water Authority, LaGrange, Ohio. However, the Water Plant Construction will be complete during the first quarter of 2010. At completion, rural Lorain County Water Authority purchases will end. It is expected that this company will serve as a back-up in the case of a water emergency.

The sanitary sewer operation of the Government is also relatively small. Receipts exceed cash disbursements in order to build a reserve for future construction. There was no new construction or engineering fees during 2009. The Sewer Fund is in the fourth year of payment on a five year bond anticipation note. No plans were prepared during 2009 to remove the infiltration and inflow present in the sanitary sewer collection system. The Village has declared the necessity to levy an assessment for sewer main work within the mobile home park, a source of significant infiltration as mentioned previously.

THE GOVERNMENT'S FUNDS

Total governmental funds had receipts of \$2,387,773 and disbursements of \$2,397,473. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$24,713 and General Fund receipts were less than disbursements by \$27,800 mainly because of School House Community Campus operating costs.

The Street Fund receipts for motor vehicle licenses decreased slightly while gasoline tax revenue increased. The Street Fund is not longer in a deficit spending situation. The full-time position for streets was reduced to part-time. The change eliminated the cost of medical benefits and reduced salary costs during 2009 by \$24,285.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

GENERAL FUND BUDGETING HIGHLIGHTS

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

During 2009, the government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts decreased from original budgeted receipts amounts. The difference between final budgeted receipts and actual receipts was an increase of \$5,324.

Final disbursements in the General Fund were budgeted at \$423,071 while actual disbursements were \$373,387. The Government makes an effort to spend less than budgeted amounts since expenditures of the full budget would wipe out its reserves.

Final disbursements for the Street Fund were budgeted at \$72,362 while actual disbursements were \$46,492.

Final disbursements for the State Highway Fund were budgeted at \$23,500 while actual disbursements were \$7,130.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Debt

At December 31, 2009, the Government's outstanding debt included \$31,783 in general obligation notes issued for improvements to the sanitary sewer system, and \$2,102,559 in Ohio Water Development Authority and Ohio Public Works Commission loans for utility construction. The loan amount for water plant construction has not been finalized yet. For further information regarding the Government's debt, refer to Notes 12 and 13 to the basic financial statements.

CURRENT ISSUES

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funds. We rely heavily on local taxes and have very little industry to support the tax base. The 2008 property tax valuation of \$18,015,580 has decreased \$19,390 from the prior year estimate. The administration approves all requisitions. Overtime is rigorously discouraged. There has been some discussion of increasing the local income tax from .75 percent to one percent.

CONTACTING THE VILLAGE'S MANAGEMENT

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008
UNAUDITED**

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HIGHLIGHTS

Key highlights for 2008 are as follows:

The government's general receipts are primarily property and income taxes and intergovernmental revenues. These receipts represent respectively 11.33, 36.32 and 45.97 percent of the total cash received for governmental activities during the year. Income tax receipts for 2008 were modestly lower than receipts in 2007. Development within the corporation has stopped.

The School House Community Campus expenditures for 2008 increased significantly over those for 2007. Energy costs and building maintenance costs continued to increase during 2008.

Assets for both water and sanitary sewer operations of the Government's business-type activities, increased during 2008. Water rates once again increased \$3.00 April 1st of this year.

USING THE BASIC FINANCIAL STATEMENTS

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Report Components

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**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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REPORTING THE GOVERNMENT AS A WHOLE

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

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

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

REPORTING THE GOVERNMENT'S MOST SIGNIFICANT FUNDS

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

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

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

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

THE GOVERNMENT AS A WHOLE

Table 1 provides a summary of the Government's net assets for 2009 compared to 2008 and on a modified cash basis.

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
ASSETS						
Cash and Cash Equivalents	\$73,002	\$70,914	\$57,506	\$58,789	\$130,508	\$129,703
Investments	197,989	230,436	214,953	159,526	412,942	389,962
Total Assets	<u>\$270,991</u>	<u>\$301,350</u>	<u>\$272,459</u>	<u>\$218,315</u>	<u>\$543,450</u>	<u>\$519,665</u>
NET ASSETS						
Restricted for:						
Debt Service	\$31,745	\$30,923			\$31,745	\$30,923
Capital Outlay	15,022	16,000			15,022	16,000
Other Purposes	110,531	129,081			110,531	129,081
Unrestricted	<u>113,693</u>	<u>125,146</u>	<u>\$272,459</u>	<u>\$218,315</u>	<u>386,152</u>	<u>343,461</u>
Total Net Assets	<u>\$270,991</u>	<u>\$301,150</u>	<u>\$272,459</u>	<u>\$218,315</u>	<u>\$543,450</u>	<u>\$519,465</u>

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

As mentioned previously, net assets of governmental activities decreased \$30,1359 or 10.074 percent during 2008. The primary reasons contributing to the decreases in cash balances are as follows:

- Income tax receipts declined \$4,015 or 4.005% from 2007 because of the economic downturn.
- Investment earnings decreased during 2008.
- Operation costs for the School House Community Campus, not supported by lease payments increased by \$33,759 or 97.48%.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Table 2 reflects the change in net assets in 2008.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$66,529	\$73,727	\$585,613	\$562,574	\$652,142	\$636,301
Operating Grands and Contributions	81,462	72,519			81,462	72,519
Total Program Receipts	147,991	146,246	585,613	562,574	733,604	708,820
General Receipts:						
Property and Other Local Taxes	61,207	54,320			61,207	54,320
Income Taxes	196,233	200,248			196,233	200,248
Other Taxes	7,332	6,920			7,332	6,920
Grants and Entitlements Not Restricted to Specific Programs	248,330	195,522			248,330	195,522
Debt Proceeds	2,626	2,482			2,626	2,482
Sale of Fixed Assets	2,000	42,800			2,000	42,800
Interest	12,109	21,929			12,109	21,929
Miscellaneous	10,404	6,120	6,078	2,805	16,482	8,925
Total General Receipts	540,241	530,341	6,078	2,805	546,319	533,146
Total Receipts	688,232	676,587	591,691	565,379	1,279,923	1,241,966
Disbursements:						
General Government	215,580	198,577			215,580	198,577
Security of Persons and Property	126,603	127,251			126,603	127,251
Public Health Services	38,192	28,095			38,192	28,095
Leisure Time Activities	5,220	5,158			5,220	5,158
Economic Development	6,386	5,733			6,386	5,733
Basic Utilities		12,300	403,814	431,193	403,814	443,493
Transportation	112,710	73,524			112,710	73,524
Capital Outlay	192,635	193,917			192,635	193,917
Principal Retirement	127,330	113,301			127,330	113,301
Interest and Fiscal Charges	22,909	28,905			22,909	28,905
Total Disbursements	847,565	786,761	403,814	431,193	1,251,379	1,217,954
Excess (Deficiency) Before Transfers	(159,333)	(110,174)	187,877	134,186	28,544	24,012
Transfers	129,466	122,519	(133,733)	(122,631)	(4,267)	(112)
Increase (Decrease) in Net Assets	(29,867)	12,345	54,144	11,555	24,277	23,900
Net Assets, January 1	300,858	289,005	218,315	206,759	519,173	495,764
Net Assets, December 31	\$270,991	\$301,350	\$272,459	\$218,314	543,450	519,664

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

During 2008 governmental program receipts represent 21.503 percent of total receipts, as compared with 21.615 percent during 2007, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, cemetery fees; developer fees, court fines and costs. During 2008 business-type program receipts represent 98.97 percent of total receipts, as compared to 99.5 percent during 2007, and are primarily comprised of charges for services.

General receipts represent 78.497 percent of the Government's total receipts, and of this amount, over 47.653 percent are local taxes. State and federal grants and entitlements make up much of the balance of the Government's general receipts (45.967 percent). Government proceeds from debt issues represent .486 percent of the general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as Mayor's Court and the cost associated with the School House Community Campus. Since these costs do not represent direct services to residents, we have limited these costs to 25.44 percent of General Fund unrestricted receipts.

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

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation, security of persons and property, and capital outlay which account for 13.291, 14.937, and 22.728 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 25.44 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

(Table 3)

Governmental Activities

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
General Government	\$215,580	\$160,163	\$198,577	\$136,209
Security of Persons and Property	126,603	126,603	127,251	127,251
Public Health Services	38,192	29,206	28,095	17,456
Leisure Time Activities	5,220	5,070	5,158	5,158
Economic Development	6,386	4,686	5,733	5,232
Basic Utilities			12,300	12,300
Transportation	112,710	30,972	73,524	785
Capital Outlay	192,635	192,635	193,917	193,917
Principal Retirement	127,330	127,330	113,301	113,301
Interest and Fiscal Charges	<u>22,909</u>	<u>22,909</u>	<u>28,905</u>	<u>28,905</u>
Total Expenses	<u>\$847,565</u>	<u>\$699,574</u>	<u>\$786,761</u>	<u>\$640,514</u>

The dependence upon property and income tax receipts is apparent as over 30.374 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water operation of the Government is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The Village purchases water from the Rural Lorain County Water Authority, LaGrange, Ohio. The Village has established a new well field and at the conclusion of 2007 obtained EPA approval of its new water plant design. During 2008 a \$500,000 CDBG award was made for the plant. Construction will begin during 2009. Once bids are received, the Village will apply for an OWDA loan to complete the funding package for the construction..

The sanitary sewer operation of the Government is also relatively small and routinely reports receipts and cash disbursements that are relatively equal. There were no new construction or engineering fees during 2008. The Sewer Fund is in the third year of payment on a five year bond anticipation note. No progress was made during 2008 on resolving the infiltration and inflow present in the sanitary sewer collection system. However, the Village is taking steps to levy an assessment for sewer main work within the mobile home park, which mains are a source of significant infiltration.

THE GOVERNMENT'S FUNDS

Total governmental funds had receipts of \$688,232 and disbursements of \$847,565. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$10,021 and General Fund receipts were less than disbursements by \$940 mainly because of School House Community Campus operating costs.

The Street Fund receipts for motor vehicle licenses increased slightly while gasoline tax revenue decreased. The Street Fund remains in a deficit spending situation. General Fund once again transferred \$10,000 to the Street Fund during 2008. To cut costs, the full-time position for streets was reduced to part-time.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

GENERAL FUND BUDGETING HIGHLIGHTS

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

During 2008, the Government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts remained the same as original budgeted receipts amounts. The difference between final budgeted receipts and actual receipts was an increase of \$6,491.

Final disbursements in the General Fund were budgeted at \$467,746 while actual disbursements were \$394,874. The Government makes an effort to spend less than budgeted amounts since expenditures of the full budget would wipe out its reserves.

Final disbursements for the Street Fund were budgeted at \$90,709 while actual disbursements were \$83,594

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Debt

At December 31, 2008, the Government's outstanding debt included \$47,866 in general obligation notes issued for improvements to the sanitary sewer system, and \$741,268 in Ohio Water Development Authority and Ohio Public Works Commission loans for utility construction. The loan amount for one of the Government's OWDA loans has not been finalized yet but is currently calculated to be \$313,875 the design loan for the water plant will be rolled into the construction loan. For further information regarding the Government's debt, refer to Notes 12 and 13 to the basic financial statements.

CURRENT ISSUES

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funds. We rely heavily on local taxes and has a relatively small industrial support to its tax base. The 2007 property tax valuation of \$18,034,970 has decreased \$934,440 from the prior year estimate. The administration approves all requisitions. Overtime is rigorously discouraged. Water rates will be increased \$3.00 during 2009.

CONTACTING THE VILLAGE'S MANAGEMENT

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2009 AND 2008**

	2009			2008		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$264,928	\$375,971	\$640,899	\$270,992	\$272,459	\$543,451
Investments	<u>75,520</u>	<u>26,000</u>	<u>101,520</u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$340,448</u></u>	<u><u>\$401,971</u></u>	<u><u>742,419</u></u>	<u><u>\$270,992</u></u>	<u><u>\$272,459</u></u>	<u><u>\$543,451</u></u>
NET ASSETS						
Restricted for:						
Capital Projects	\$80,013		\$80,013	\$15,022		\$15,022
Debt Service	31,058		31,058	31,745		31,745
Other Purposes	140,398		140,398	110,532		110,532
Unrestricted	<u>88,979</u>	<u>\$401,971</u>	<u>490,950</u>	<u>113,693</u>	<u>\$272,459</u>	<u>386,152</u>
Total Net Assets	<u><u>\$340,448</u></u>	<u><u>\$401,971</u></u>	<u><u>\$742,419</u></u>	<u><u>\$270,992</u></u>	<u><u>\$272,459</u></u>	<u><u>\$543,451</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR YEAR ENDED DECEMBER 31, 2009**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Security of Persons and Property	\$128,617				(\$128,617)		(\$128,617)
Public Health Services	31,049	\$9,374	\$330		(21,346)		(21,346)
Leisure Time Activities	5,926				(5,926)		(5,926)
Community Environment	11,101	470			(10,631)		(10,631)
Transportation	52,874	99	71,970		19,195		19,195
General Government	206,961	39,115	5,000		(162,846)		(162,846)
Capital Outlay	1,878,734			\$729,300	(1,149,434)		(1,149,434)
Debt Service:							
Principal	264,121				(264,121)		(264,121)
Interest	28,289				(28,289)		(28,289)
Total Governmental Activities	2,607,672	49,058	77,300	729,300	(1,752,014)		(1,752,014)
BUSINESS-TYPE ACTIVITIES							
Water	237,167	307,506				70,339	70,339
Sewer	159,531	291,167				131,636	131,636
Enterprise Deposit Fund	2,100	4,900				2,800	2,800
Total Business-Type Activities	398,798	603,573				204,775	204,775
Total Primary Government	\$3,006,470	\$652,631	\$77,300	\$729,300	(\$1,752,014)	\$204,775	(\$1,547,239)
GENERAL RECEIPTS							
Property Taxes					54,412		54,412
Municipal Income Taxes					183,108		183,108
Other Taxes					7,213		7,213
Grants Entitlements not Restricted to Specific Programs					69,175		69,175
Other Debt Proceeds					1,417,506		1,417,506
Earnings on investments					2,191		2,191
Miscellaneous					8,599	4,003	12,602
Total General Receipts					1,742,204	4,003	1,746,207
Transfers					79,266	(79,266)	
Total General Receipts and Transfers					1,821,470	(75,263)	1,746,207
Change in Net Assets					69,456	129,512	198,968
Net Assets Beginning of Year					270,992	272,459	543,451
Net Assets End of Year					\$340,448	\$401,971	\$742,419

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR YEAR ENDED DECEMBER 31, 2008**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Security of Persons and Property	\$126,603				(\$126,603)		(\$126,603)
Public Health Services	38,192	\$8,961	\$25		(29,206)		(29,206)
Leisure Time Activities	5,220	150			(5,070)		(5,070)
Community Environment	6,386	1,700			(4,686)		(4,686)
Transportation	112,710	301	81,437		(30,972)		(30,972)
General Government	215,581	55,417			(160,164)		(160,164)
Capital Outlay	192,635			\$99,025	(93,610)		(93,610)
Debt Service:							
Principal	127,331				(127,331)		(127,331)
Interest	29,412				(29,412)		(29,412)
Total Governmental Activities	854,070	66,529	81,462	99,025	(607,054)		(607,054)
BUSINESS-TYPE ACTIVITIES							
Water	248,328	289,705				41,377	41,377
Sewer	158,254	289,809				131,555	131,555
Enterprise Deposit Fund	1,500	6,100				4,600	4,600
Total Business-Type Activities	408,082	585,614				177,532	177,532
Total Primary Government	\$1,262,152	\$652,143	\$81,462	\$99,025	(\$607,054)	\$177,532	(\$429,522)
GENERAL RECEIPTS							
Property Taxes					61,699		61,699
Municipal Income Taxes					196,233		196,233
Other Taxes					6,840		6,840
Grants Entitlements not Restricted to Specific Programs					62,943		62,943
Other Debt Proceeds					92,842		92,842
Sale of Fixed Assets					2,000		2,000
Earnings on investments					12,109		12,109
Miscellaneous					12,563	6,077	18,640
Total General Receipts					447,229	6,077	453,306
Transfers					129,465	(129,465)	
Total General Receipt and Transfers					576,694	(123,388)	453,306
Change in Net Assets					(30,360)	54,144	23,784
Net Assets Beginning of Year					301,352	218,315	519,667
Net Assets End of Year					\$270,992	\$272,459	\$543,451

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Street Construction & Repair	State Highway	Other Construction	Other Governmental Funds	Total Governmental Funds
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$88,979	\$18,391	\$10,979	\$80,013	\$66,566	\$264,928
Investments		23,000	29,000		23,520	75,520
Total Assets	<u>\$88,979</u>	<u>\$41,391</u>	<u>\$39,979</u>	<u>\$80,013</u>	<u>\$90,086</u>	<u>\$340,448</u>
FUND BALANCES						
Reserved:						
Reserved for Encumbrances	\$20,614	\$2,877	\$2,000	\$2,000	\$402	\$27,893
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	68,365					68,365
Special Revenue Funds		38,514	37,979		58,626	135,118
Debt Service Fund					31,058	31,058
Capital Projects Funds				78,013		78,013
Total Fund Balances	<u>\$88,979</u>	<u>\$41,391</u>	<u>\$39,979</u>	<u>\$80,013</u>	<u>\$90,086</u>	<u>\$340,448</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>State Highway</u>	<u>OWDA</u>	<u>Grant Construction</u>	<u>Other Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Equity in Pooled Cash and Cash Equivalents	\$113,693	\$39,686	\$31,340	\$8,592	\$6,430	\$71,251	\$270,992
Investments							
Total Assets	<u>\$113,693</u>	<u>\$39,686</u>	<u>\$31,340</u>	<u>\$8,592</u>	<u>\$6,430</u>	<u>\$71,251</u>	<u>\$270,992</u>
FUND BALANCES							
Reserved:							
Reserved for Encumbrances	\$20,468					\$3,611	\$24,079
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	93,225						93,225
Special Revenue Funds		\$39,686				67,235	106,921
Debt Service Fund			\$31,340			405	31,745
Capital Projects Funds				\$8,592	\$6,430		15,022
Total Fund Balances	<u>\$113,693</u>	<u>\$39,686</u>	<u>\$31,340</u>	<u>\$8,592</u>	<u>\$6,430</u>	<u>\$71,251</u>	<u>\$270,992</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Street Maintenance & Repair	State Highway	Other Construction	Other Governmental Funds	Total
RECEIPTS:						
Property and Other Local Taxes	\$39,096				\$22,529	\$61,625
Municipal Income Taxes	183,108					183,108
Intergovernmental	59,180	\$63,236	\$5,127	\$729,300	18,932	875,775
Special Assessments	629	99			2,228	2,956
Charges for Services	28,200				9,374	37,574
Fines, Licenses, and Permits	9,927				716	10,643
Earnings on investments	1,558	155	296		182	2,191
Miscellaneous	4,276	7			2,201	6,484
Total Receipts	325,974	63,497	5,423	729,300	56,162	1,180,356
DISBURSEMENTS:						
Current:						
Security of Persons and Property	127,786				831	128,617
Public Health Services	4,628				26,421	31,049
Leisure Time Activities	5,926					5,926
Community Environment	5,554				5,547	11,101
Transportation		43,615	5,130		4,129	52,874
General Government	205,524				1,437	206,961
Capital Outlay	4,464			1,863,132	11,138	1,878,734
Debt Service:						
Principal Retirement				198,253	65,868	264,121
Interest and Fiscal Charges				11,838	16,451	28,289
Total Disbursements	353,882	43,615	5,130	2,073,223	131,822	2,607,672
Excess Receipts Over/(Under) Disbursements	(27,908)	19,882	293	(1,343,923)	(75,660)	(1,427,316)
OTHER FINANCING SOURCES (USES)						
Debt Proceeds				1,417,506		1,417,506
Transfers-In					79,266	79,266
Transfers-Out						
Advances-In	4,140				946	5,086
Advances-Out	(946)				(4,140)	(5,086)
Total Other Financing Sources (Uses)	3,194			1,417,506	76,072	1,496,772
Net Change in Fund Balances	(24,714)	19,882	293	73,583	412	69,456
Fund Balances Beginning of Year	113,693	21,509	39,686	6,430	89,674	270,992
FUND BALANCES END OF YEAR	\$88,979	\$41,391	\$39,979	\$80,013	\$90,086	\$340,448

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	State Highway	OWDA Debt Service	Grant Construction	Other Construction	Other Governmental Funds	Total
RECEIPTS:							
Property and Other Local Taxes	\$42,939					\$25,600	\$68,539
Municipal Income Taxes	196,233						196,233
Intergovernmental	60,365	\$5,083		\$81,485	\$17,540	78,957	243,430
Special Assessments	427					2,927	3,354
Charges for Services	40,975					9,111	50,086
Fines, Licenses, and Permits	15,033					1,109	16,142
Earnings on investments	9,382	720	\$1,519			488	12,109
Miscellaneous	7,620					1,890	9,510
Total Receipts	372,974	5,803	1,519	81,485	17,540	120,082	599,403
DISBURSEMENTS:							
Current:							
Security of Persons and Property	124,580					2,023	126,603
Public Health Services	4,616					33,576	38,192
Leisure Time Activities	5,220						5,220
Community Environment	6,386						6,386
Transportation		2,281				110,429	112,710
General Government	214,974					607	215,581
Capital Outlay	9,142			79,607	97,448	6,438	192,635
Debt Service:							
Principal Retirement	9,489		116,317			1,525	127,331
Interest and Fiscal Charges			21,936		6,504	972	29,412
Total Disbursements	374,407	2,281	138,253	79,607	103,952	155,570	854,070
Excess Receipts Over/(Under) Disbursements	(1,433)	3,522	(136,734)	1,878	(86,412)	(35,488)	(254, 667)
OTHER FINANCING SOURCES (USES)							
Debt Proceeds					92,842		92,842
Sale of Fixed Assets	1,672					328	2,000
Transfers-In			137,428	6,000		13,017	156,445
Transfers-Out	(26,980)						(26,980)
Advances-In	81,485			66,199			213,883
Advances-Out	(66,199)			(81,485)			(229, 169)
Total Other Financing Sources (Uses)	(10,021)		137,428	(9,286)	92,842	13,345	224,307
Net Change in Fund Balances	(11,455)	3,522	694	(7,408)	6,430	(22,143)	(30,360)
Fund Balances Beginning of Year	125,148	36,164	30,646	16,000		93,394	317,352
FUND BALANCES END OF YEAR	\$113,693	\$39,6 86	\$31,340	\$8,592	\$6,430	\$71,251	\$270,992

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, 2009**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS:				
Property and Other Local Taxes	\$37,400	\$37,400	\$39,096	\$1,696
Municipal Income Taxes	195,000	180,000	183,108	3,108
Intergovernmental	57,000	49,070	59,180	10,110
Special Assessments			629	629
Charges for Services	34,500	27,625	28,200	575
Fines, Licenses, and Permits	12,850	11,850	9,927	(1,923)
Earnings on investments	9,000	2,081	1,558	(523)
Miscellaneous	2,625	2,625	4,276	1,651
Total Receipts	348,375	310,651	325,974	\$15,323
DISBURSEMENTS:				
Current:				
Security of Persons and property	131,373	136,097	132,612	3,485
Public Health Services	4,629	4,629	4,628	1
Leisure Time Activities	7,560	7,871	6,392	1,479
Community Environment	11,763	12,407	5,754	6,653
Basic Utility Services				
General Government	269,212	257,467	219,646	37,821
Capital Outlay	9,200	4,600	4,464	136
Total Disbursements	433,737	423,071	373,496	49,575
Excess Receipts Over/(Under) Disbursements	(85,362)	(112,420)	(47,522)	64,898
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets	10,000	10,000		(10,000)
Transfers-In				
Transfers-Out	(10,000)	(10,000)	(1,000)	9,000
Advances-In	4,140	4,140	4,140	
Advances-Out	(5,000)	(2,811)	(946)	1,865
Total Other Financing Sources (Uses)	(860)	1,329	2,194	865
Net Change in Fund Balances	(86,222)	(111,091)	(45,328)	65,763
Unencumbered Cash Balance Beginning of Year	93,225	93,225	93,225	
Prior Year Encumbrances Appropriated	20,468	20,468	20,468	
UNENCUMBERED CASH BALANCE END OF YEAR	\$27,471	\$2,602	\$68,365	\$65,763

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, 2008**

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
RECEIPTS:				
Property and Other Local Taxes	\$39,500	\$39,500	\$42,939	\$3,439
Municipal Income Taxes	200,000	200,000	196,233	(3,767)
Intergovernmental	57,000	57,000	60,365	3,365
Special Assessments			427	427
Charges for Services	42,000	42,000	40,975	(1,025)
Fines, Licenses, and Permits	13,850	13,850	15,033	1,183
Earnings on investments	12,000	12,000	9,382	(2,618)
Miscellaneous	2,625	2,625	7,620	4,995
Total Receipts	366,975	366,975	372,974	\$5,999
DISBURSEMENTS:				
Current:				
Security of Persons and property	130,827	131,529	128,881	2,648
Public Health Services	4,616	4,616	4,616	
Leisure Time Activities	13,521	13,521	5,727	7,794
Community Environment	12,023	12,023	6,686	5,337
General Government	286,406	286,406	230,334	56,072
Capital Outlay	9,500	9,200	9,142	58
Debt Service:				
Principal Retirement	10,450	10,450	9,489	961
Total Disbursements	467,343	467,745	394,875	72,870
Excess Receipts Over/(Under) Disbursements	(100,368)	(100,770)	(21,901)	78,869
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets			1,672	1,672
Transfers-Out	(20,680)	(26,980)	(26,980)	
Advances-In	85,625	81,485	81,485	
Advances-Out	(67,727)	(67,714)	(66,199)	1,515
Other Financing Uses	28	15		(15)
Total Other Financing Sources (Uses)	(2,754)	(13,194)	(10,022)	3,172
Net Change in Fund Balances	(103,122)	(113,964)	(31,923)	82,041
Unencumbered Cash Balance Beginning of Year	97,007	97,007	97,007	
Prior Year Encumbrances Appropriated	28,141	28,141	28,141	
UNENCUMBERED CASH BALANCE END OF YEAR	\$22,026	\$11,184	\$93,225	\$82,041

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
STATE HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS:				
Intergovernmental	\$4,955	\$4,880	\$5,127	\$247
Earnings on investments	<u>500</u>	<u>375</u>	<u>296</u>	<u>(79)</u>
Total Receipts	<u>5,455</u>	<u>5,255</u>	<u>5,423</u>	<u>168</u>
DISBURSEMENTS:				
Current:				
Transportation	<u>23,500</u>	<u>23,500</u>	<u>7,130</u>	<u>16,370</u>
Total Disbursements	<u>23,500</u>	<u>23,500</u>	<u>7,130</u>	<u>16,370</u>
Excess Receipts Over/(Under) Disbursements	<u>(18,045)</u>	<u>(18,245)</u>	<u>(1,707)</u>	<u>16,538</u>
Unencumbered Cash Balance Beginning of Year	<u>39,686</u>	<u>39,686</u>	<u>39,686</u>	
UNENCUMBERED CASH BALANCE END OF YEAR	<u><u>\$21,641</u></u>	<u><u>\$21,441</u></u>	<u><u>\$37,979</u></u>	<u><u>\$16,538</u></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, 2009**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
RECEIPTS:				
Intergovernmental	\$58,700	\$58,700	\$63,236	\$4,536
Special Assessments			99	99
Earnings on investments	300	300	155	(145)
Miscellaneous	<u>100</u>	<u>100</u>	<u>7</u>	<u>(93)</u>
Total Receipts	<u>59,100</u>	<u>59,100</u>	<u>63,497</u>	<u>\$4,397</u>
DISBURSEMENTS:				
Current:				
Transportation	<u>72,362</u>	<u>72,362</u>	<u>46,492</u>	<u>25,870</u>
Total Disbursements	<u>72,362</u>	<u>72,362</u>	<u>46,492</u>	<u>25,870</u>
Excess Receipts Over/(Under) Disbursements	<u>(13,262)</u>	<u>(13,262)</u>	<u>17,005</u>	<u>(30,267)</u>
OTHER FINANCING SOURCES (USES)				
Transfers-In	<u>10,000</u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	<u>10,000</u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balances	(3,262)	(13,262)	17,005	30,267
Unencumbered Cash Balance Beginning of Year	18,936	18,936	18,936	
Prior Year Encumbrances Appropriated	<u>2,573</u>	<u>2,573</u>	<u>2,573</u>	
UNENCUMBERED CASH BALANCE END OF YEAR	<u><u>\$18,247</u></u>	<u><u>\$8,247</u></u>	<u><u>\$38,514</u></u>	<u><u>\$30,267</u></u>

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STATE HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS:				
Intergovernmental	\$5,000	\$4,900	\$5,083	\$183
Earnings on investments	500	500	720	220
Total Receipts	<u>5,500</u>	<u>5,400</u>	<u>5,803</u>	<u>403</u>
DISBURSEMENTS:				
Current:				
Transportation	<u>17,500</u>	<u>17,500</u>	<u>2,281</u>	<u>15,219</u>
Total Disbursements	<u>17,500</u>	<u>17,500</u>	<u>2,281</u>	<u>15,219</u>
Excess Receipts Over/(Under) Disbursements	(12,000)	(12,100)	3,522	15,622
Unencumbered Cash Balance Beginning of Year	<u>36,164</u>	<u>36,164</u>	<u>36,164</u>	
UNENCUMBERED CASH BALANCE END OF YEAR	<u><u>\$24,164</u></u>	<u><u>\$24,064</u></u>	<u><u>\$39,686</u></u>	<u><u>\$15,622</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
DECEMBER 31, 2009**

	Water	Sewer	Enterprise Deposit Fund	Total Enterprise Funds
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$150,990	\$177,210	\$47,770	\$375,970
Investments	15,000	11,000		26,000
Total Assets	<u>\$165,990</u>	<u>\$188,210</u>	<u>\$47,770</u>	<u>\$401,970</u>
NET ASSETS				
Unrestricted	\$165,990	\$188,211	\$47,770	\$401,971
Total Net Assets	<u>\$165,990</u>	<u>\$188,211</u>	<u>\$47,770</u>	<u>\$401,971</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
DECEMBER 31, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Deposit Fund</u>	<u>Total Enterprise Funds</u>
ASSETS				
Equity in Pooled Cash and Cash Equivalents	<u>\$99,045</u>	<u>\$133,004</u>	<u>\$40,410</u>	<u>\$272,459</u>
Total Assets	<u><u>\$99,045</u></u>	<u><u>\$133,004</u></u>	<u><u>\$40,410</u></u>	<u><u>\$272,459</u></u>
NET ASSETS				
Unrestricted	<u>\$99,045</u>	<u>\$133,004</u>	<u>\$40,410</u>	<u>\$272,459</u>
Total Net Assets	<u><u>\$99,045</u></u>	<u><u>\$133,004</u></u>	<u><u>\$40,410</u></u>	<u><u>\$272,459</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Deposit Fund</u>	<u>Enterprise Total</u>
OPERATING RECEIPTS				
Charges for Services	<u>\$305,240</u>	<u>\$288,412</u>	<u>\$4,900</u>	<u>\$598,552</u>
Total Operating Receipts	<u>305,240</u>	<u>288,412</u>	<u>4,900</u>	<u>598,552</u>
OPERATING DISBURSEMENTS				
Personal Services	56,181	57,461		113,642
Employee Fringe Benefits	11,275	23,214		34,489
Contractual Services	147,400	41,794		189,194
Supplies and Materials	10,073	8,788		18,861
Other			<u>2,100</u>	<u>2,100</u>
Total Operating Disbursements	<u>224,929</u>	<u>131,257</u>	<u>2,100</u>	<u>358,286</u>
Operating Income (Loss)	80,311	157,155	2,800	240,266
NON-OPERATING RECEIPTS (DISBURSEMENTS)				
Special Assessments	2,266	2,755		5,021
Miscellaneous Receipts	1,116	2,837	50	4,003
Capital Outlay	(4,238)	(10,048)		(14,286)
Principal Payments	(8,000)	(16,103)		(24,103)
Interest and Fiscal Charges		<u>(2,123)</u>		<u>(2,123)</u>
Total Non-Operating Receipts (Disbursements)	<u>(8,856)</u>	<u>(22,682)</u>	<u>50</u>	<u>(31,488)</u>
Income (Loss) Before Transfers	<u>71,455</u>	<u>134,473</u>	<u>2,850</u>	<u>208,778</u>
Transfers-In			4,510	4,510
Transfers-Out	<u>(4,510)</u>	<u>(79,266)</u>		<u>(83,776)</u>
Change in Net Assets	66,945	55,207	7,360	129,512
Net Assets Beginning of Year	<u>99,045</u>	<u>133,004</u>	<u>40,410</u>	<u>272,459</u>
NET ASSETS END OF YEAR	<u><u>\$165,990</u></u>	<u><u>\$188,211</u></u>	<u><u>\$47,770</u></u>	<u><u>\$401,971</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Deposit Fund</u>	<u>Enterprise Total</u>
OPERATING RECEIPTS				
Charges for Services	<u>\$289,705</u>	<u>\$289,809</u>	<u>\$6,100</u>	<u>\$585,614</u>
Total Operating Receipts	<u>289,705</u>	<u>289,809</u>	<u>6,100</u>	<u>585,614</u>
OPERATING DISBURSEMENTS				
Personal Services	57,343	56,516		113,859
Employee Fringe Benefits	13,346	22,914		36,260
Contractual Services	155,368	42,973		198,341
Supplies and Materials	10,355	10,908		21,263
Other	<u>50</u>		<u>1,500</u>	<u>1,550</u>
Total Operating Disbursements	<u>236,462</u>	<u>133,311</u>	<u>1,500</u>	<u>371,273</u>
Operating Income (Loss)	53,243	156,498	4,600	214,341
NON-OPERATING RECEIPTS (DISBURSEMENTS)				
Miscellaneous Receipts	2,020	4,057		6,077
Capital Outlay	(3,866)	(6,716)		(10,582)
Principal Payments	(8,000)	(15,280)		(23,280)
Interest and Fiscal Charges		<u>(2,947)</u>		<u>(2,947)</u>
Total Non-Operating Receipts (Disbursements)	<u>(9,846)</u>	<u>(20,886)</u>		<u>(30,732)</u>
Income (Loss) Before Transfers	<u>43,397</u>	<u>135,612</u>	<u>4,600</u>	<u>183,609</u>
Transfers-In	3,874	4,089		7,963
Transfers-Out	<u>(16,096)</u>	<u>(121,332)</u>		<u>(137,428)</u>
Change in Net Assets	31,175	18,369	4,600	54,144
Net Assets Beginning of Year	<u>67,870</u>	<u>114,635</u>	<u>35,810</u>	<u>218,315</u>
NET ASSETS END OF YEAR	<u><u>\$99,045</u></u>	<u><u>\$133,004</u></u>	<u><u>\$40,410</u></u>	<u><u>\$272,459</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF WEST SALEM
WAYNE COUNTY

STATEMENT FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2009

	<u>Agency</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,437</u>
Total Assets	<u><u>\$2,437</u></u>
NET ASSETS	
Restricted for:	
Other Purposes	<u>\$2,437</u>
Total Net Assets	<u><u>\$2,437</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF WEST SALEM
WAYNE COUNTY

STATEMENT FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2008

	<u>Agency</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,671</u>
Total Assets	<u><u>\$1,671</u></u>
NET ASSETS	
Restricted for:	
Other Purposes	<u>\$1,671</u>
Total Net Assets	<u><u>\$1,671</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. REPORTING ENTITY

The Village of West Salem, Wayne County, Ohio (the Village) is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government.

A. Primary Government

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

1. Government-Wide Financial Statements (continued)

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

2. Fund Financial Statements

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

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

B. Fund Accounting

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

1. Governmental Funds

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

1. Governmental Funds (continued)

State Highway Fund -The State Highway Fund is a major fund. It is used to account for all financial resources received from license and gasoline tax and the use is restricted to street maintenance and repair of State routes.

Street Construction and Repair Fund - This fund is used to account for all financial resources and the use is restricted to street construction and repair.

OWDA Fund - This fund is used for debt service.

Grant Construction Fund - This fund is used to account for grants and other resources whose use is restricted to a particular purpose.

Other Construction Fund - This fund is used to account for grants and other resources whose use is restricted to a particular purpose.

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

2. Proprietary Funds

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

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

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

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

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

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

3. Fiduciary Funds

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

C. 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 of this note

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

D. Budgetary Process

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

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

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process (continued)

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 the Village Council during the year.

E. Cash and Investments

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

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Village investments are not pooled.

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

Investments are 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.

During 2009, the Village invested in nonnegotiable certificates of deposit, a money market fund and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The Village's money market fund investment is recorded at the amount reported by Farmers State Bank at December 7, 2009.

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, 2009.

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 2009 were \$1,558 which includes \$886 assigned from other Village funds..

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, or enabling legislation.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pensions

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

L. Long-Term Obligations

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

M. Net Assets

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

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance Reserves

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

O. Interfund Transactions

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

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

As of December 31, 2009 there were no deficit fund balances.

B. Compliance

The Clerk-Treasurer is unaware at the time of preparation of this report that there are any significant violations.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Modified Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the general and state highway funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balances (cash basis) (and outstanding year end advances are treated as another financing source or use (budgetary basis) rather than as an interfund receivable or payable cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$20,468 and \$28,141 for 2009 and 2008, respectively for the General Fund and \$2,573 and \$0 for 2009 and 2008, respectively, for the Major Special Revenue Funds at the end of the year.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

5. DEPOSITS AND INVESTMENTS

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

Active monies are public monies necessary to meet current demands upon the Village treasury. 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 more than one year from the date of deposit 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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**VILLAGE OF WEST SALE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

5. DEPOSITS AND INVESTMENTS (continued)

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.

At year end, the Village had \$.00 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end \$.00 of the Village's bank balance of \$258,583 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Investments

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

General Fund investments are in STAR Ohio and a money market fund. Investments in STAR Ohio and the money market fund may be increased or decreased at any time without penalty. The STAR Ohio interest rate as of December 31, 2009 was .10 percent. The money market interest rate as of December 31, 2009 was 1 percent. As of December 31, 2009, \$24,163 of General Fund assets were invested with STAR Ohio and \$55,071 of General Fund assets were invested with the money market fund.

OWDA Debt Service Fund STAR Ohio investments total \$30,924. Other general governmental fund investments in STAR Ohio as of December 31, 2009 totaled \$8,100 and in the money market fund totaled \$15,008.

Water Fund and Sewer Fund investments in STAR Ohio as of December 31, 2009 were \$156,293 and \$146,750, respectively.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

5. DEPOSITS AND INVESTMENTS (continued)

Street Fund holds two certificates of deposit totaling \$23,000. State Highway Fund has four certificates of deposit totaling \$29,000. Other certificates include: Cemetery Fund, \$8,000; Park Development Fund, \$6,520; Permissive License Tax Fund, \$9,000; Water Fund, \$15,000; and Sewer Fund \$11,000. Interest rates are at .90 percent.

In summary, as of December 31, 2009, the Village had the following investments:

	<u>Carrying Value</u>
Money Market	\$70,036
STAR Ohio	366,231
Total Portfolio	\$436,267

At December 31, 2008 the Village had the following investments;

	<u>Carrying Value</u>
Money Market	
STAR Ohio	\$342,119
Total Portfolio	\$342,119

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

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The money market account is unrated.. The Village has no investment policy dealing with investment custodial risk beyond the requirement in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." The Village does not hold securities subject to custodial risk.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

6. INCOME TAXES

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

7. PROPERTY TAX

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 (2009) public utility property taxes which became a lien on December 31, 2007 (2008) are levied after October 1, 2008 (2009), and are collected in 2009 (2010) with real property taxes.

The full tax rate for all general fund operations for the year ended December 31, 2009, was \$24 per \$1,000 of assessed value, and for cemetery operations for the year ended December 31, 2009, was \$10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$17,689,620
Public Utility Property	15,100
Tangible Personal Property	<u>310,860</u>
Total Assessed Values	<u>\$18,015,580</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.

8. INTERFUND RECEIVABLES/PAYABLES

There were no interfund receivables balances at December 31, 2009.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

9. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008 the Village has obtained property and liability insurance through the Ohio Government Risk Management Plan. Coverage is for comprehensive property and general liability; vehicles; errors and omissions; law enforcement; inland marine; and electronic data processing.

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Ohio Risk Management	Commercial	\$3,860,390
	General Liability	2,000,000
	Commercial Crime	2,000,000
	Inland Marine	10,000
	Vehicle	2,000,000
	Public Officials	2,000,000

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

The current policy is in effect until August 10, 2010.

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

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

10. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined 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 - a cost-sharing, multiple-employer pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and public divisions exist only within the traditional plan.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

10. DEFINED BENEFIT PENSION PLANS (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in State and local classifications contributed 10 percent of covered payroll. Members of the West Salem Police Department, who are all part-time, contributed to the plan as regular employees and not as law enforcement.

The Village's contribution rate for 2009 was 14 percent. The employer contributions allocated to healthcare was 7 percent in 2008 for all employers. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 17.4 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008 and 2007 were \$42,939, \$45,517 and \$41,712, respectively. The full amount has been contributed for 2009, 2008 and 2007. There are no Village employees participating in the Member Directed Plan.

B. Ohio Police and Fire Pension Fund

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

11. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefits 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.

To qualify for postemployment healthcare coverage, age and service retirees under the Traditional and Combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meet the definition of an Other Post-employment Benefit (OPEB) as described in *GASB Statement 12*. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

11. POSTEMPLOYMENT BENEFITS (continued)

A. Ohio Public Employees Retirement System (continued)

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, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Funding Policy - The postemployment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment 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 postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, government employers contributed 14 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll in 2009 for all employers.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended 2009, 2008 and 2007 were \$21,469, \$22,759 and \$20,856, respectively. The full amount has been contributed for 2009, 2008 and 2007.

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

B. Ohio Police and Fire Pension Fund

The Village had no participants in the plan during 2009 and made no contributions.

12. NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2009, follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2009</u>
Bond Anticipation Note					
2006 Issue	5.25%	\$47,880		\$16,103	\$31,783*
2008 Info		<u>63,160</u>		<u>15,280</u>	<u>47,880</u>

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

12. NOTES PAYABLE (continued)

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

*Based on the arrival date of monthly payments, the bank has been reducing interest charges and applying the credit to the principal. There is a total adjustments as of December 31, 2009 of \$14.58. The January 2010 billing has a current balance of \$31,777. The amortization schedule shows a balance of \$31,791.

13. DEBT

The Village's long-term debt activity for the year ended December 31, 2008 was as follows:

<u>Business-Type Activities</u>	<u>Average Interest Rate</u>	<u>Balance December 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2009</u>	<u>Due Within One Year</u>
Combined OWDA Loans	4.49%	\$568,514	\$1,417,506	\$264,121	\$1,721,899	
Combined OPWC Loans	0%	56,000		8,000	48,000	8,000
		<u>\$741,268</u>	<u>\$1,639,986</u>	<u>\$278,694</u>	<u>\$2,102,560</u>	<u>\$81,128</u>

<u>Business-Type Activities</u>	<u>Average Interest Rate</u>	<u>Balance December 31, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>	<u>Due Within One Year</u>
Combined OWDA Loans	4.49%	\$593,514	\$92,842	\$117,842	\$568,514	\$102,867
Combined OPWC Loans	0%	64,000		8,000	\$56,000	8,000
		<u>\$657,514</u>	<u>\$92,842</u>	<u>\$125,842</u>	<u>\$624,514</u>	<u>\$110,867</u>

Three of the Ohio Water Development Authority (OWDA) loans relate to sewer system projects that were mandated by the Ohio Environmental Protection Agency. A fourth loan was for a water system extension project. A fifth loan finances water plant design. During 2009 the design loan was rolled into the water plant construction loan. Payments for the water plant construction loan will begin in 2010. The water plant loan and sewer project loans are being paid from utility collections. The water line extension loan is financed by a special assessment. The loans are being repaid in semiannual installments which, during 2009, averaged \$32,934 including interest. OWDA loans have been set up for repayment over a maximum of 20 years. The final payment of the 1989 sewer improvement loan was made July 1, 2009.

The Ohio Works Commission (OPWC) loan was for the construction of a water tower. The loan is being repaid in semiannual installments of \$4,000 which is for principle only. The loan is a zero percent interest loan. The water tower loan will be paid in full in 2016.

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

13. DEBT (continued)

Year	G.O Notes		OWDA Loans		OPWC Loans	
	Principle	Interest	Principal	Interest	Principal	Interest
2010	\$16,968	\$1,259	\$73,128	\$38,532	\$8,000	
2011	14,809	380	70,252	36,675	8,000	
2012	16,100	845	67,106	35,090	8,000	
2013			68,630	33,589	8,000	
2014			70,194	32,002	8,000	
2015			71,807	30,389	8,000	
2016-2020			370,833	127,663		
2021-2025			357,505	85,909		
2026-2039			572,444	105,107		
	<u>\$47,880</u>	<u>\$2,484</u>	<u>\$1,721,899</u>	<u>\$524,956</u>	<u>\$48,000</u>	

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2009 were an overall debt margin of \$1,891,636, and an unvoted debt margin of \$990,857.

All of the above Village debt is paid from utility receipts, and therefore, is exempt from the net indebtedness calculations according to Ohio Revised Code Section 133.05 B (1).

14. LEASES

During 2007 the Village initiated a new lease-purchase agreement for a 2007 cruiser. The Village disbursed \$14,161 to pay lease cost for the year ended December 31, 2009. The lease-purchase agreement was paid in full with the December 2009 payment. January 2010 a new lease-purchase agreement will be initiated. Future lease payments are to be determined after an initial payment of \$10,000.

Year	Amount
2010	\$10,000
2011-2015	to be determined
Total	<u>\$10,000</u>

15. INTERFUND TRANSFERS

During 2009 no transfers were made from the General Fund.

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

Other Transfers:	
From Sewer Fund to OWDA Debt Service	\$79,266
From Water Fund to OWDA Debt Service	<u>4,510</u>
Total other transfers	<u>\$83,776</u>

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

15. INTERFUND TRANSFERS (continued)

During 2008 the following transfers were made from the General Fund.

Transfers from the General Fund to:	
Other Governmental Funds	\$13,017
Grant Construction Fund	6,000
Water Fund	3,874
Sewer Fund	<u>4,089</u>
Total transfers from the General Fund:	<u>\$22,891</u>

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

Other Transfers:	
From Sewer Fund to OWDA Debt Service	\$121,332
From Water Fund to OWDA Debt Service	<u>16,096</u>
Total other transfers	<u>\$137,428</u>

16. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

October 2007 Council authorized contracts with Hunter Chase Inc. for \$76,800; and with M. W. Robinson Company, Inc. for \$22,469 for renovations to the Village Hall. The project was completed during 2009 and final payments of \$9,538 were made as of June 5, 2009. Water Plant Construction contracts were approved during 2009 with Simonson Construction Services for \$1,927,527 and with Frontz Drilling for \$22,780.

17. CONTINGENT LIABILITIES

The Administration of the Village is aware of one lawsuit in which the Village and a former police officer are named as a defendants. The officer is currently deployed. It is believed this is the reason the case has not progressed.

18. SUBSEQUENT EVENTS

The Water Superintendent has accepted a position elsewhere. His last day with the Village will be January 29, 2010. The Administration is currently working to provide backup to the remaining EPA licensed employee.

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KNOX & KNOX

Accountants and Consultants

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

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

To the Village Council:

We have audited the financial statements of the Village of West Salem, Ohio, as of and for the years ended December 31, 2009 and December 31, 2008, which collectively comprise the basic financial statements and have issued our report thereon dated June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Village employed the modified cash basis of accounting as it was applied to the respective financial position of governmental activities, business-type activities, each major fund and the aggregate remaining fund information and the changes in financial and budgetary comparison for the General, Highway, and Street Construction and Repair (2009) Funds for the years then ended.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

We noted certain matters that we reported to management of Village of West Salem, Wayne County, Ohio, in a separate letter dated June 30, 2010.

We intend this report solely for the information and use of the, management, the Board of Trustees, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

KNOX & KNOX

Orrville, Ohio
June 30, 2010

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Mary Taylor, CPA
Auditor of State

VILLAGE OF WEST SALEM

WAYNE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 20, 2011**