

VILLAGE OF WEST SALEM

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2012





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of West Salem, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 3, 2014

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VILLAGE OF WEST SALEM
WAYNE COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2012

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Statement of Net Position – Cash Basis	11
Statement of Activities – Cash Basis	12
Statement of Cash Basis Assets and Fund Balances Governmental Funds	13
Statement of Cash Receipts, Disbursements and Changes In Cash Basis Fund Balances – Governmental Funds	14
Statement of Receipts, Disbursements and Changes In Fund Balance – Budget and Actual – Budget Basis General Fund	15
Statement of Receipts, Disbursements and Changes In Fund Balance – Budget and Actual – Budget Basis Street Construction Maintenance and Repair Fund	16
Statement of Receipts, Disbursements and Changes In Fund Balance – Budget and Actual – Budget Basis Special Police Fund	17
Statement of Net Position – Cash Basis Proprietary Funds	18
Statement of Cash Receipts, Disbursements and Changes In Fund Net Position – Cash Basis - Proprietary Funds	19
Statement of Fiduciary Net Position – Cash Basis Fiduciary Fund	20
Notes to the Basic Financial Statements	21-40
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	41-42
Schedule of Prior Audit Findings	43

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

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Salem, Wayne County, Ohio (the Village) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Salem, Wayne County, Ohio, as of December 31, 2012, and the changes in cash financial position and the respective budgetary comparison for the General Fund, Street Construction Maintenance and Repair Fund, and Special Police Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

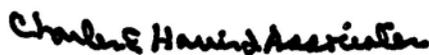
We audited to opine on the Village's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required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

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

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

Other Reporting Required by Government Auditing Standards

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



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

Village of West Salem
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

This discussion and analysis of the Village of West Salem's (also referred to as the Village's) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2012, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2012 are as follows:

Net position of governmental activities increased modestly by \$15,235 or 4 percent, a positive change from the prior year. The fund most affected by a decrease in cash and cash equivalents was the State Highway Fund, from which a new vehicle was purchased in 2012. The General Fund's \$21,456 increase may be attributed to a more efficient community campus operation. No paving was done during 2012 which accounts for the increased balances within the funds reserved for the maintenance of streets.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 6 and 25 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2012 changed very little compared to 2011 as development within the Village has slowed.

The water operation, one of the Village's two business-type activities, operated at a deficit during 2012 while Village officials worked to locate a new water source. The Village also continues to pay debt service on the new water plant and purchase water from Rural Lorain County Water Authority. During 2012 the Village received a loan from the Ohio Water Development Authority for the purchase of property on which to construct a new well field.

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

Using the Basic Financial Statements

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

Report Components

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

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

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

Village of West Salem
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Basis of Accounting

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

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

Reporting the Village as a Whole

The statement of net position and the statement of activities reflect how the Village did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the statement of net position and the statement of activities, we divide the Village into two types of activities:

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

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

Reporting the Village's Most Significant Funds

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

Village of West Salem
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, Street, Special Police, OWDA Debt Service and Capital Improvement Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds, the Water, Sanitary Sewer, and Utility Deposit Funds. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

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

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2011 compared to 2012 on a cash basis:

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Assets						
Cash and Cash Equivalents	\$342,009	\$357,244	\$530,933	\$553,703	\$872,942	\$910,947
Total Assets	\$342,009	\$357,244	\$530,933	\$553,703	\$872,942	\$910,947
Net Position						
Restricted for:						
Debt Service	\$68,006	\$70,113			\$68,006	\$70,113
Capital Outlay	0	1,777			0	1,777
Other Purposes	168,618	177,673			168,618	177,673
Unrestricted	105,385	107,681	\$530,933	\$553,703	636,318	661,384
Total Net Position	\$342,009	\$357,244	\$530,933	\$553,703	\$872,942	\$910,947

Village of West Salem
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

As mentioned previously, net position of governmental activities increased \$15,235 or 4 percent during 2012. The primary reasons contributing to the minimal increases in cash balances are as follows:

- Limited growth in local tax receipts. The assessed valuation dropped from \$18,113,230 in 2010 to \$16,768,160 in 2011. The 2012 valuation increased to \$16,874,460. Local wages have also not increased, resulting in little change in income tax receipts compared to last year.
- More efficient operations and a 15% lease rate increase at the School House Community Campus.
- The Village purchased a new dump truck using State Highway Fund money. The total cost of truck, plow and wiring was \$34,715.
- In 2012, the Village approved a \$392,368 Loan from the Ohio Water Development Authority to finance the purchase of a 17 acre parcel on which the Village will develop a new well field.
- Council expanded its health insurance benefits to all full-time employees. Once the five effected employees had been put on the plan, the monthly cost was \$4,206. Employees pay 20% of the health coverage and 100% of the dental care.

Table 2 reflects the changes in net position on a cash basis in 2012 and 2011 for governmental activities, business-type activities and total primary government.

Village of West Salem
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

(Table 2)
Changes in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2012	2011	2012	2011	2012
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$72,723	\$69,156	\$614,139	\$613,211	\$686,862	\$682,367
Operating Grants and Contributions	104,398	78,836	-	-	104,398	78,836
Capital Grants and Contributions	-	12,606	-	-	-	12,606
Total Program Receipts	177,121	160,598	614,139	613,211	791,260	773,809
General Receipts:						
Property and Other Local Taxes	56,317	53,605	-	-	56,317	53,605
Income Taxes	216,922	227,572	-	-	216,922	227,572
Other Taxes	7,010	7,288	-	-	7,010	7,288
Grants and Entitlements Not Restricted to Specific Programs	57,600	43,152	-	-	57,600	43,152
Debt Proceeds	31,411	472,309	13,355	-	44,766	472,309
Interest	2,689	1,505	-	-	2,689	1,505
Miscellaneous	9,998	7,523	5,146	14,220	15,144	21,743
Total General Receipts	381,947	812,954	18,501	14,220	400,448	827,174
Total Receipts	559,068	973,552	632,640	627,431	1,191,708	1,600,983
Disbursements:						
General Government	185,148	121,516	-	-	185,148	121,516
Security of Persons and Property	141,847	160,273	-	-	141,847	160,273
Public Health Services	29,635	35,689	-	-	29,635	35,689
Leisure Time Activities	3,980	52,528	-	-	3,980	52,528
Community Environment	4,656	7,202	-	-	4,656	7,202
Basic Utilities	-	-	482,681	495,567	482,681	495,567
Transportation	100,924	54,311	-	-	100,924	54,311
Capital Outlay	31,411	520,734	-	-	31,411	520,734
Principal Retirement	74,371	76,532	-	-	74,371	76,532
Interest and Fiscal Charges	37,574	38,626	-	-	37,574	38,626
Total Disbursements	609,546	1,067,411	482,681	495,567	1,092,227	1,562,978
Excess (Deficiency) Before Transfers	(50,478)	(93,859)	149,959	131,864	99,481	38,005
Transfers/Advances	105,711	109,094	(105,711)	(109,094)	-	-
Increase (Decrease) in Net Position	55,233	15,235	44,248	22,770	99,481	38,005
Net Position, January 1, 2012	286,776	342,009	486,685	530,933	773,461	872,942
Net Position, December 31, 2012	\$342,009	\$357,244	\$530,933	\$553,703	\$872,942	\$910,947

Village of West Salem
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Program receipts represent only 15 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, zoning permits and inspection fees and lease payments for rental of Community Building rooms.

General receipts represent 85 percent of the Village's total receipts, and of this amount, over 31 percent are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts (69 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 12 percent of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and community campus; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for debt service and security of persons and property, which account for 11 and 15 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 11 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2012	Net Cost of Services 2012
General Government	\$185,148	\$129,159	\$121,516	\$65,557
Security of Persons and Property	141,847	141,847	160,273	160,273
Public Health Services	29,635	13,747	35,689	20,915
Leisure Time Activities	3,980	3,980	52,528	52,528
Community Environment	4,656	4,606	7,202	6,947
Basic Utilities	0	0	0	(8,950)
Transportation	100,924	(2,335)	54,311	(22,693)
Capital Outlay	31,411	31,411	520,734	520,734
Principal Retirement	74,371	74,371	76,532	73,581
Interest and Fiscal Charges	37,574	37,574	38,626	37,921
Total Expenses	\$609,546	\$434,360	\$1,067,411	\$906,813

Village of West Salem
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The dependence upon property and income tax receipts is apparent as over 85 percent of governmental activities are supported through these general receipts.

Business-type Activities

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

The Village's Funds

Total governmental funds had receipts of \$973,552 augmented by transfers in of \$110,180; and disbursements of \$1,067,411. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$21,456 as the result of decreased costs for operation of the School House Community Campus.

Street Fund revenue exceeded disbursements by \$19,381 because no paving projects were scheduled during 2012.

Special Police revenue was greater than disbursement by \$2,322. The one quarter percent income tax for police did not quite generate enough to pay twelve months' salary for the two full-time officers. Towards the end of 2012 several pays were made from General Fund

State Highway and Mayor's Court Computer funds decreased by \$32,059 and \$2,160 respectively. This happened because of the capital purchases made from each fund.

General Fund Budgeting Highlights

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

During 2012, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to anticipated slow growth in tax receipts. However, overall actual receipts exceeded original budgeted amounts thanks to the increase in Community Campus lease rates.

Final General Fund disbursements were budgeted at \$355,339 while actual disbursements were \$303,110. Appropriations were not reduced during the year. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$8,885 for 2012.

Debt Administration

Debt

At December 31, 2012, the Village's outstanding debt included \$2,227,135 in Ohio Water Development and Ohio Public Works Commission loans for infrastructure. For further information regarding the Village's debt, refer to Note 13 to the basic financial statements.

Village of West Salem
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our financial forecast predicts deficit spending for 2013; therefore, the finance committee and the administration implemented a strategy to delay the deficit by reducing 2013 appropriations. Additional spending will require Council approval. We reviewed our sources of revenue and determined that increases were unlikely unless the employment situation improves. The administration continues to search for funding for the well field and raw water main project. A method allowing Congress Township and the Village to jointly support the maintenance of the Community Campus is being discussed.

Contacting the Village's Financial Management

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

Village of West Salem, Ohio
Wayne County
Statement of Net Position - Cash Basis
December 31, 2012

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$357,244	\$553,703	\$910,947
<i>Total Assets</i>	<u>\$357,244</u>	<u>\$553,703</u>	<u>\$910,947</u>
Net Position			
Restricted for:			
Capital Projects	\$1,777		\$1,777
Debt Service	70,113		\$70,113
Other Purposes	177,673		177,673
Unrestricted	107,681	\$553,703	661,384
<i>Total Net Position</i>	<u>\$357,244</u>	<u>\$553,703</u>	<u>\$910,947</u>

See accompanying notes to the basic financial statements

Village of West Salem, Ohio
 Wayne County
 Statement of Assets and Fund Balances - Cash Basis
 Governmental Funds
 December 31, 2012

	General	Street Constr. Main. Rep. Fd.	Special Police Fund	OWDA Debt Servic Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$100,658	\$81,155	\$8,268	\$70,113	\$1,777	\$95,273	\$357,244
<i>Total Assets</i>	<u>\$100,658</u>	<u>\$81,155</u>	<u>\$8,268</u>	<u>\$70,113</u>	<u>\$1,777</u>	<u>\$95,273</u>	<u>\$357,244</u>
Fund Balances							
Restricted		\$81,155	\$8,268	\$70,113	\$1,777	\$88,250	\$249,563
Committed	\$5,543					7,023	12,566
Assigned	12,571						12,571
Unassigned	82,544						82,544
<i>Total Fund Balances</i>	<u>\$100,658</u>	<u>\$81,155</u>	<u>\$8,268</u>	<u>\$70,113</u>	<u>\$1,777</u>	<u>\$95,273</u>	<u>\$357,244</u>

See accompanying notes to the basic financial statements

Village of West Salem
Wayne County
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2012

	General	Street Constr. Maint. Repair Fd.	Special Police Fund	OWDA Debt Service Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes	\$170,325		\$57,247				\$227,572
Property Taxes	38,618					\$14,987	53,605
Other Local Taxes						7,288	7,288
Intergovernmental	40,246	\$59,177			\$8,950	20,733	129,106
Special Assessments						3,656	3,656
Charges for Services	43,325					12,942	56,267
Fines, Licenses and Permits	11,637					861	12,498
Earnings on Investments	1,063	126		\$186		130	1,505
Miscellaneous	6,781	303				2,662	9,746
<i>Total Receipts</i>	<u>311,995</u>	<u>59,606</u>	<u>57,247</u>	<u>186</u>	<u>8,950</u>	<u>63,259</u>	<u>501,243</u>
Disbursements							
Current:							
Security of Persons and Property	105,618		54,655				160,273
Public Health Services	4,538					31,151	35,689
Leisure Time Activities	52,528						52,528
Community Environment	5,272					1,930	7,202
Transportation		40,225				14,086	54,311
General Government	118,180		270			3,066	121,516
Capital Outlay					479,482	41,252	520,734
Debt Service:							
Principal Retirement	4,203			70,379		1,950	76,532
Interest and Fiscal Charges	200			37,880		546	38,626
<i>Total Disbursements</i>	<u>290,539</u>	<u>40,225</u>	<u>54,925</u>	<u>108,259</u>	<u>479,482</u>	<u>93,981</u>	<u>1,067,411</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	21,456	19,381	2,322	(108,073)	(470,532)	(30,722)	(566,168)
Other Financing Sources (Uses)							
OWDA Proceeds					472,309		472,309
Transfers In				110,180			110,180
Advances Out						(1,086)	(1,086)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>110,180</u>	<u>472,309</u>	<u>(1,086)</u>	<u>581,403</u>
<i>Net Change in Fund Balances</i>	21,456	19,381	2,322	2,107	1,777	(31,808)	15,235
<i>Fund Balances Beginning of Year</i>	<u>79,202</u>	<u>61,774</u>	<u>5,946</u>	<u>68,006</u>	<u>0</u>	<u>127,081</u>	<u>342,009</u>
<i>Fund Balances End of Year</i>	<u>\$100,658</u>	<u>\$81,155</u>	<u>\$8,268</u>	<u>\$70,113</u>	<u>\$1,777</u>	<u>\$95,273</u>	<u>\$357,244</u>

See accompanying notes to the basic financial statements

Village of West Salem
Wayne County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$171,000	\$170,000	\$170,325	\$325
Property Taxes	39,200	39,200	38,618	(582)
Other Local Taxes	35	35		(35)
Intergovernmental	43,414	43,414	40,246	(3,168)
Charges for Services	33,600	33,600	43,325	9,725
Fines, Licenses and Permits	14,950	10,950	11,637	687
Earnings on Investments	1,700	1,700	1,063	(637)
Miscellaneous	5,900	5,900	6,781	881
<i>Total Receipts</i>	<u>309,799</u>	<u>304,799</u>	<u>311,995</u>	<u>7,196</u>
Disbursements				
Current:				
Security of Persons and Property	112,820	120,380	110,685	9,695
Public Health Services	4,539	4,539	4,539	0
Leisure Time Activities	78,694	79,024	57,637	21,387
Community Environment	12,070	12,059	5,381	6,678
General Government	127,570	134,934	120,465	14,469
Debt Service:				
Principal Retirement	4,203	4,203	4,203	0
Interest and Fiscal Charges	200	200	200	0
<i>Total Disbursements</i>	<u>340,096</u>	<u>355,339</u>	<u>303,110</u>	<u>52,229</u>
<i>Net Change in Fund Balance</i>	(30,297)	(50,540)	8,885	59,425
<i>Unencumbered Fund Balance Beginning of Year</i>	66,614	66,614	66,614	0
Prior Year Encumbrances Appropriated	<u>12,586</u>	<u>12,586</u>	<u>12,586</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$48,903</u>	<u>\$28,660</u>	<u>\$88,085</u>	<u>\$59,425</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$58,000	\$57,000	\$59,177	\$2,177
Earnings on Investments	150	150	126	(24)
Miscellaneous			303	303
<i>Total Receipts</i>	<u>58,150</u>	<u>57,150</u>	<u>59,606</u>	<u>2,456</u>
Disbursements				
Current:				
General Government	<u>76,176</u>	<u>76,176</u>	<u>44,194</u>	<u>31,982</u>
<i>Total Disbursements</i>	<u>76,176</u>	<u>76,176</u>	<u>44,194</u>	<u>31,982</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(18,026)	(19,026)	15,412	34,438
<i>Unencumbered Fund Balance Beginning of Year</i>	55,705	55,705	55,705	0
Prior Year Encumbrances Appropriated	<u>6,069</u>	<u>6,069</u>	<u>6,069</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$43,748</u></u>	<u><u>\$42,748</u></u>	<u><u>\$77,186</u></u>	<u><u>\$34,438</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
Special Police Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$52,000	\$52,000	\$57,247	\$5,247
<i>Total Receipts</i>	<u>52,000</u>	<u>52,000</u>	<u>57,247</u>	<u>5,247</u>
Disbursements				
Current:				
Security of Persons and Property	52,539	55,201	54,655	546
General Government		650	270	380
<i>Total Disbursements</i>	<u>52,539</u>	<u>55,851</u>	<u>54,925</u>	<u>926</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(539)	(3,851)	2,322	6,173
<i>Unencumbered Fund Balance Beginning of Year</i>	5,538	5,538	5,538	0
Prior Year Encumbrances Appropriated	<u>408</u>	<u>408</u>	<u>408</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$5,407</u></u>	<u><u>\$2,095</u></u>	<u><u>\$8,268</u></u>	<u><u>\$6,173</u></u>

See accompanying notes to the basic financial statements

Village of West Salem
Wayne County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2012

	Business-Type Activities			Total Enterprise Funds
	Water Enterprise Fund	Sewer Enterprise Fund	Utility Deposit Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$96,548	\$401,685	\$55,470	\$553,703
<i>Total Assets</i>	<u>\$96,548</u>	<u>\$401,685</u>	<u>\$55,470</u>	<u>\$553,703</u>
Net Position				
Unrestricted	\$96,548	\$401,685	\$55,470	\$553,703
<i>Total Net Position</i>	<u>\$96,548</u>	<u>\$401,685</u>	<u>\$55,470</u>	<u>\$553,703</u>

See accompanying notes to the basic financial statements

Village of West Salem
Wayne County
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities			Total Enterprise Funds
	Water Enterprise Fund	Sewer Enterprise Fund	Utility Deposit Fund	
Operating Receipts				
Charges for Services	\$347,665	\$257,138	\$5,619	\$610,422
<i>Total Operating Receipts</i>	<u>347,665</u>	<u>257,138</u>	<u>5,619</u>	<u>610,422</u>
Operating Disbursements				
Personal Services	46,192	73,354		119,546
Employee Fringe Benefits	22,640	28,910		51,550
Contractual Services	199,627	54,781		254,408
Supplies and Materials	12,052	10,039		22,091
Other			3,600	3,600
<i>Total Operating Disbursements</i>	<u>280,511</u>	<u>167,084</u>	<u>3,600</u>	<u>451,195</u>
<i>Operating Income (Loss)</i>	67,154	90,054	2,019	159,227
Non-Operating Receipts (Disbursements)				
Special Assessments	1,332	1,457		2,789
Miscellaneous Receipts	9,774	4,446		14,220
Capital Outlay	(33,420)			(33,420)
Principal Retirement	(10,487)			(10,487)
Interest and Other Fiscal Charges	(465)			(465)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(33,266)</u>	<u>5,903</u>	<u>0</u>	<u>(27,363)</u>
<i>Income (Loss) before Transfers and Advances</i>	33,888	95,957	2,019	131,864
Transfers Out	(82,580)	(27,600)		(110,180)
Advances In	1,086			1,086
<i>Change in Net Position</i>	(47,606)	68,357	2,019	22,770
<i>Net Position Beginning of Year</i>	<u>144,154</u>	<u>333,328</u>	<u>53,451</u>	<u>530,933</u>
<i>Net Position End of Year</i>	<u>\$96,548</u>	<u>\$401,685</u>	<u>\$55,470</u>	<u>\$553,703</u>

See accompanying notes to the basic financial statements

Village of West Salem, Ohio
Wayne County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,319</u>
<i>Total Assets</i>	<u><u>\$1,319</u></u>
Net Position	
Held for unclaimed money	\$777
Held for Mayor's court	<u>542</u>
<i>Total Net Position</i>	<u><u>\$1,319</u></u>

See accompanying notes to the basic financial statements

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 1 - Reporting Entity

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

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

Primary Government

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

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

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

Government-Wide Financial Statements

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements

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

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in three categories: governmental, proprietary, and fiduciary.

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

General - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Special Police Fund - The special police fund accounts for and reports resources restricted for the operations of the Village police department. It is funded by one quarter percent of the Village one percent income tax.

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

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

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

Proprietary Funds

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

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

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

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

Utility Deposit Fund - The utility deposit fund accounts for utility deposits from residents and commercial users within the Village.

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency funds account for unclaimed money and Mayor's Court revenue.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

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

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

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

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Investments

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2012, the Village invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The Village’s money market fund investment is recorded at the amount reported by Farmers State Bank on December 31, 2012. 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, 2012.

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 2012 was \$1,063 which includes \$761 assigned from other Village funds.

Restricted Assets

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

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

Long-Term Obligations

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

Net Position

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

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance

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

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

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

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

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

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Interfund Transactions

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

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

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, street, and special police funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$12,571 for the general fund and \$3,969 for the street fund.

Note 4 – Deposits and Investments

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

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 4 – Deposits and Investments (continued)

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

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

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

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

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

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 4 – Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Village's bank balance of \$202,843 (which includes \$82,117 of certificates of deposit) was exposed to custodial credit risk.

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

Investments

As of December 31, 2012, the Village had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-2	3-5	More than 5
Money Market Mutual Fund	\$412,011	\$412,011			
STAR Ohio	307,090	307,090			
Total Investments	\$719,101	\$719,101	\$0	\$0	\$0

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 4 – Deposits and Investments (continued)

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement, federal national mortgage association notes, federal home loan mortgage corporation notes, and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name.

The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

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

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

Note 5 – Income Taxes

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

The Village's income tax ordinance requires one quarter percent of the income tax receipts to be used to finance police operations. As a result, this portion of the receipts is allocated to the special police fund each year. The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2012, the receipts were allocated to the general fund and the special police fund.

Note 6 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 6 - Property Taxes (continued)

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2012, was \$2.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property	\$16,424,680
Public Utility Personal Property	<u>343,480</u>
Total	<u><u>\$16,768,160</u></u>

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

Note 7 – Interfund Receivables/Payables

There were no interfund balances as of December 31, 2012. During the year 2012, advances from the Water Fund to the Special Assessment Debt Service Fund were repaid to the Water Fund. The total repayment was \$1,086.

Note 8 - Risk Management

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

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 8 - Risk Management (continued)

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

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

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

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

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

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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

The Village manages employee health benefits through Wayne County which is on a self-insured basis. The employee health benefit plan provides basic health and dental coverage through Aetna, the third party administrator (TPA) of the program, which reviews and pays the claims. The family and single premiums were \$13,812, and \$6,179 for medical and \$1,182, and \$493 for dental, respectively.

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2012, members in the state and local divisions contributed 10% of covered payroll. The Village employed no public safety members and no law enforcement members in 2012. The Village's contribution rate for state and local members in 2012 was 14% of covered payroll.

The Village's required contributions for pension obligations to the Traditional and Combined Pension Plans for the years ended December 31, 2012, 2011, and 2010 were \$36,396, \$36,549, and \$42,814, respectively. The full amount has been contributed for each year. There were no contributions to the member-directed plan for 2013.

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

Ohio Police and Fire Pension Fund

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 9 - Defined Benefit Pension Plans (continued)

Funding Policy – For 2012, plan members are required to contribute 10 percent of their annual covered salary. The Village’s contribution was 19.5% for police officers. Contribution rates are established by State statute. The Village’s contributions to OP&F for police pensions were \$10,503 for the year ended December 31, 2012 and \$9,045 for the year ended December 31, 2011. There were no full-time police officers during 2010. The Village does not operate a fire department. The full amount has been contributed for 2012 and 2011.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013 and 2012, state and local government employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local government employer units.

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 10 - Postemployment Benefits (continued)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment healthcare benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent and the Combined Plan was 6.05 percent during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$10,398, \$10,442, and \$12,232, respectively. The full amount has been contributed for those years.

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

Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

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

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 10 - Postemployment Benefits (continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

Note 11 - Debt

The changes in the Village's long-term debt during 2012 was as follows:

	Outstanding 12/31/11	Additions	Deletions	Outstanding 12/31/12	Due in One Year
Combined OWDA Loans	\$1,853,055	\$472,409	\$72,329	\$2,253,135	\$93,459
1986 OPWC Loan	32,000	0	8,000	24,000	8,000
WSOS Community Action Loan	12,749	0	2,488	\$10,261	2,588
Total Governmental Activities	<u>\$1,897,804</u>	<u>\$472,409</u>	<u>\$82,817</u>	<u>\$2,287,396</u>	<u>\$104,047</u>

Principal payments above do not include capital lease payments of \$4,202.

One Ohio Water Development Authority (OWDA) loan was issued for the extension of a water line on Congress loan. The final principal payment will be made in 2015. A second OWDA loan was for sanitary sewer improvements. The final principal payment will be made in 2023. The OWDA loan for the construction of a new water plant and well field (the well field subsequently failed) will be retired in 2039. This loan had not been finalized as of December 31, 2012 as the remaining balance has been used in the search for a new well field. The final draw is expected to be made early in 2013. During 2012 the Village applied for two new OWDA Loans. The loan for the purchase of a new well field is not finalized and \$100 of capitalized interest is included in the schedule above. The well field loan will be retired in 2042. The OWDA planning loan for the construction of the well field and raw water mains is for five years after which time it will either be rolled into a construction loan or a balloon payment will be made.

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 11 – Debt (continued)

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

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

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

Principal and interest requirements to retire outstanding debt at December 31, 2012, are as follows:

Year	Outstanding Debt Payment Requirements					
	WSOS Loan		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$2,588	\$363	\$93,459	\$39,825	\$8,000	
2014	2,693	258	95,202	38,082	8,000	
2015	2,803	148	96,993	36,291	8,000	
2016	2,177	36	96,341	34,447		
2017			98,078	32,709		
2018-2030			1,276,810	315,291		
2031-2040			496,252	62,783		
Total	\$10,261	\$805	\$2,253,135	\$559,428	\$24,000	\$0

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2012, were an overall debt margin of \$1,760,656 and an unvoted debt margin of \$838,408.

Note 12 – Leases

The Village leases a vehicle under noncancelable leases. The Village disbursed \$4,403 to pay lease costs for the year ended December 31, 2012. No leases were outstanding at the end of 2012.

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 13 – Fund Balances

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

Fund Balances	General Fund	Street Fund	Special Police Fund	OWDA Debt Fund	Capital Improvements Fund	Other Governmental Funds	Total
Restricted for							
Road Improvements		\$81,155				\$54,466	\$135,621
Police Operations			\$8,268				8,268
Court Operations						231	231
Community Development						6,465	6,465
Drug & Alcohol Education						2,456	2,456
Cemetery						24,600	24,600
Debt Service				\$70,113		32	70,145
Capital Construction					\$1,777	0	1,777
<i>Total Restricted</i>	<u>0</u>	<u>81,155</u>	<u>8,268</u>	<u>70,113</u>	<u>1,777</u>	<u>88,250</u>	<u>249,563</u>
Committed to							
New Tree Development	\$5,543						5,543
Cemetery						3,752	3,752
Multipurpose Facility						3,271	3,271
<i>Total Committed</i>	<u>5,543</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,023</u>	<u>12,566</u>
Assigned to							
Year End Encumbrances	12,571						12,571
<i>Total Assigned</i>	<u>12,571</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,571</u>
Unassigned:	82,544						82,544
<i>Total Fund Balances</i>	<u>\$100,658</u>	<u>\$81,155</u>	<u>\$8,268</u>	<u>\$70,113</u>	<u>\$1,777</u>	<u>\$95,273</u>	<u>\$357,244</u>

Village of West Salem, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 14 - Interfund Transfers

During 2012, the following transfers were made:

<u>Transfers To</u>	<u>Transfers From</u>		Total
	Water Fund	Sewer Fund	
OWDA Debt Service Fund	<u>\$82,580</u>	<u>\$27,600</u>	<u>\$110,180</u>
Total	<u><u>\$82,580</u></u>	<u><u>\$27,600</u></u>	<u><u>\$110,180</u></u>

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

Advances: During 2012 the \$495 2010 advance and the \$591 2011 advance from Water Fund to the OWDA Debt Service Fund were both repaid to the Water Fund.

Note 15 – Construction and Contractual Commitments

No contractual commitments were made for construction during 2012. The Village entered into an engineering contract for the design of the new well field and raw water main.

Note 16 – Contingent Liabilities

There were no contingent liabilities during 2012. No grants were received during the year.

Note 17 – Subsequent Events

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

Note 18 – Change in Accounting Principles

For 2012, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position.

The Village also implemented GASB 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”

These changes were incorporated in the Village’s 2012 financial statements; however, there was no effect on beginning net position/fund balance.

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Salem, Wayne County, (the Village) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 2, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

Purpose of this Report

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



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

VILLAGE OF WEST SALEM
WAYNE COUNTY
December 31, 2012

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2011, reported no material citations or recommendations.



Dave Yost • Auditor of State

VILLAGE OF WEST SALEM

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2014**