

VILLAGE OF WEST SALEM

WAYNE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018



OHIO AUDITOR OF STATE
KEITH FABER



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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, 2018 through December 31, 2019. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 9, 2020

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**VILLAGE OF WEST SALEM
WAYNE COUNTY
For the years ended December 31, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

Village of West Salem
Wayne County
PO Box 256
West Salem, Ohio 44287-0256

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of West Salem, Wayne County, (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, or its changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

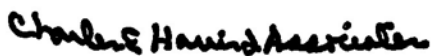
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and the related notes of Village of West Salem, Wayne County as of December 31, 2019 and 2018, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 of the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinions regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.
June 10, 2020

Village of West Salem, Ohio
Wayne County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$38,790	\$58,398	-	-	\$97,188
Municipal Income Tax	223,685	74,561	-	-	298,246
Intergovernmental	38,110	117,936	-	\$ 41,800	197,846
Charges for Services	54,305	17,273	-	-	71,578
Fines, Licenses and Permits	15,171	-	-	-	15,171
Earnings on Investments	14,038	871	\$ 2,503	-	17,412
Miscellaneous	12,970	3,725	-	-	16,695
<i>Total Cash Receipts</i>	<u>397,069</u>	<u>272,764</u>	<u>2,503</u>	<u>41,800</u>	<u>714,136</u>
Cash Disbursements					
Current:					
Security of Persons and Property	98,519	68,226	-	-	166,745
Public Health Services	4,136	35,372	-	-	39,508
Leisure Time Activities	68,081	-	-	-	68,081
Community Environment	7,876	-	-	-	7,876
Transportation	-	68,591	-	-	68,591
General Government	104,443	1,520	-	-	105,963
Capital Outlay	28,900	1,495	-	130,996	161,391
Debt Service:					
Principal Retirement	6,150	9,703	173,856	-	189,709
Interest and Fiscal Charges	1,614	444	63,024	-	65,082
<i>Total Cash Disbursements</i>	<u>319,719</u>	<u>185,351</u>	<u>236,880</u>	<u>130,996</u>	<u>872,946</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	77,350	87,413	(234,377)	(89,196)	(158,810)
Other Financing Receipts (Disbursements)					
Sale of Notes	-	-	-	107,949	107,949
Loans Issued	18,900	-	-	-	18,900
Transfers In	-	-	230,399	-	230,399
<i>Total Other Financing Receipts (Disbursements)</i>	<u>18,900</u>	<u>-</u>	<u>230,399</u>	<u>107,949</u>	<u>357,248</u>
<i>Net Change in Fund Cash Balances</i>	96,250	87,413	(3,978)	18,753	198,438
<i>Fund Cash Balances, January 1</i>	<u>211,182</u>	<u>296,368</u>	<u>120,723</u>	<u>36,897</u>	<u>665,170</u>
Fund Cash Balances, December 31					
Nonspendable	628	-	-	-	628
Restricted	-	383,781	-	55,650	439,431
Assigned	23,829	-	116,745	-	140,574
Unassigned (Deficit)	282,975	-	-	-	282,975
<i>Fund Cash Balances, December 31</i>	<u>\$307,432</u>	<u>\$383,781</u>	<u>\$116,745</u>	<u>\$55,650</u>	<u>\$863,608</u>

See accompanying notes to the basic financial statements

Village of West Salem, Ohio
Wayne County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2019

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Custodial	
Operating Cash Receipts			
Charges for Services	\$882,796	-	\$882,796
Fines, Licenses and Permits	-	\$21,831	21,831
<i>Total Operating Cash Receipts</i>	<u>882,796</u>	<u>21,831</u>	<u>904,627</u>
Operating Cash Disbursements			
Personal Services	259,653	-	259,653
Employee Fringe Benefits	77,472	-	77,472
Contractual Services	154,660	-	154,660
Supplies and Materials	81,807	-	81,807
Other	5,970	21,831	27,801
<i>Total Operating Cash Disbursements</i>	<u>579,562</u>	<u>21,831</u>	<u>601,393</u>
<i>Operating Income (Loss)</i>	303,234	-	303,234
Non-Operating Receipts (Disbursements)			
Special Assessments	189	-	189
Miscellaneous Receipts	12,157	-	12,157
Capital Outlay	(10,000)	-	(10,000)
Principal Retirement	(19,856)	-	(19,856)
Interest and Other Fiscal Charges	(505)	-	(505)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(18,015)</u>	<u>-</u>	<u>(18,015)</u>
<i>Income (Loss) before Transfers</i>	285,219	-	285,219
Transfers Out	(230,399)	-	(230,399)
<i>Net Change in Fund Cash Balances</i>	54,820	-	54,820
<i>Fund Cash Balances, January 1</i>	<u>794,581</u>	<u>628</u>	<u>795,209</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$849,401</u></u>	<u><u>\$628</u></u>	<u><u>\$850,029</u></u>

See accompanying notes to the basic financial statements

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of West Salem, Wayne County, Ohio (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 Fiscal Officer and Administrator are appointed. The Village provides police, parks and recreation including a community campus, zoning, street maintenance and repairs, and water and sewer utilities services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and change in fund balance (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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 below:

General Fund 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. Unclaimed monies are reported in the general fund balance as nonspendable.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund The street construction maintenance and repair fund accounts for and reports the receipt 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 the receipt of income tax revenue restricted for the purpose of providing police services to the residents of the Village.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Debt Service Funds These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

Capital Project Funds These funds account for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Water Meter Replacement Fund The water meter replacement fund accounts for and reports the receipt of loans restricted for the waste water treatment project.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

Fiduciary Funds Fiduciary funds include custodial funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial fund accounts for Mayor's Court activities.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. Unclaimed monies are classified as nonspendable in the general fund.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Restricted Fund balance is 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.

Committed Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the general fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 330,548	\$ 415,969	\$ 85,421
Special Revenue	227,331	272,764	45,433
Debt Service	231,399	232,902	1,503
Capital Projects	149,749	149,749	-
Enterprise	822,073	895,142	73,069

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity (continued)

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 344,449	\$ 327,774	\$ 16,675
Special Revenue	291,660	260,182	31,478
Debt Service	236,881	236,880	1
Capital Projects	149,749	130,996	18,753
Enterprise	907,999	854,152	53,847

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2019
Demand deposits	\$ 1,126,488
Certificates of deposit	58,520
STAR Plus	497,431
Total deposits	1,682,439
STAR Ohio	31,198
Total investments	31,198
Total deposits and investments	\$ 1,713,637

Deposits

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County in February each year. If the property owner elects to pay semiannually, the first half is due in February. The second half payment is due the following July.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Taxes (continued)

Income Taxes

The Village levies a one percent income tax. Three quarters percent of the proceeds are placed into the General Fund. One fourth of the proceeds are credited to the Special Police Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village does not allow a credit. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly, and file a final return annually.

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018 (the latest information available).

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018 (latest information available).

	<u>2018</u>
Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Pension Fund

The Village's full time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officers' wages. The Village has paid all contributions required through December 31, 2019.

Social Security

The Village's council members contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2019, and OP&F contributed 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA 5074 Loan	\$ 1,276,665	1.50%
OWDA 6208 Loan	310,103	1.50%
OWDA 6708 Loan	2,145,351	1.50%
OWDA 3936 Loan	101,202	3.85%
OWDA 7140 Loan	100,441	0.92%
OWDA 7482 Loan	196,164	2.51%
OWDA 8608 Loan	108,029	0.50%
OWDA 8493 Loan	135	0.00%
OPWC Loan #CP39P	159,469	0.00%
OPWC Loan #CP44T	95,047	0.00%
Farmer's State Bank Loan	18,900	3.25%
John Deere Credit	7,543	4.50%
Police Vehicle	20,750	6.00%
Water Tower Lease	43,937	3.00%
Total	<u><u>\$ 4,583,736</u></u>	

The Ohio Water Development Authority (OWDA) Loan #5074 was issued for a New Water Treatment Plant in 2011, payable in 30 years. The interest rate is 1.5% and the final payment will be made in 2040. Payments will be made from user charges.

The OWDA Loan #6208 was issued for Well Field Purchase in 2013, payable in 30 years. The interest rate is 1.5% and the final payment will be made in 2042. Payments will be made from user charges.

The OWDA Loan #6708 was issued for a well field in 2015, payable in 40 years. The interest rate is 1.5% and the final payment will be made in 2045. Payments will be made from user charges.

The OWDA Loan #3936 was issued for Phase III of the Sewer Repair and Replacement project in 2004, payable in 20 years. The interest rate is 3.85% and the final payment will be made in 2024. Payments will be made from user charges.

The OWDA Loan #7140 was issued for the Main Street Waterline Replacement project in 2016, payable in 20 years. The interest rate 0.92% and the final payment will be made in 2036. Payments will be made from user charges.

The OWDA Loan #7482 was issued for the planning WWTP Improvement Design in 2018. The interest rate of 2.51% and the final payment will be made in 2022. Disbursements for this loan are not complete and no amortization schedule is currently available as of December 31, 2019.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (continued)

The OWDA Loan #8608 was issued for the water meter replacement project and has an interest rate of 0.05%. The final payment will be made in 2040. No amortization schedule is currently available at this time.

The Well Field Project was financed through a no interest Ohio Public Works Commission (OPWC) loan (CP39P). The loan matures in 2045. Payments will be made from user charges.

The West Buckeye Storm Sewer Replacement project was financed through a no interest OPWC loan (CP44T). The loan matures in 2048. Payments will be made from user charges.

In November 2019, the Village obtained financing in the amount of \$18,900 with a 3.25% interest rate, maturing in April 2023. The Village intends to repay this loan from user charges.

The Village financed the purchase of a police vehicle with payments due annually. There is a 6.0% interest rate, maturing in April 2022. The Village intends to repay this loan from the General Fund.

The Village leases land for a water tower that was financed through a promissory note in the amount of \$112,001. The payments on the note are due annually. The note carries an interest rate of 3% and will mature in 2024. The Village intends to repay the note from user charges.

The Village financed the purchase of a mower with payments due annually. There is a 4.5% interest rate, maturing in April 2020. The Village intends to repay the note from the Street, Cemetery, Water and Sewer Funds.

Amortization

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

Year ending December 31:	OWDA Loans	OPWC Loans	FSB Loan	Police Vehicle	Water Tower Lease	Mower
2020	\$ 113,197	\$ 4,824	\$ 5,022	\$ 7,764	\$ 10,000	\$7,889
2021	226,394	9,648	5,022	7,764	10,000	-
2022	226,394	9,648	5,022	7,764	10,000	-
2023	226,394	9,648	5,022	-	10,000	-
2024	212,623	9,648	-	-	4,339	-
2025-2029	994,265	48,241	-	-	-	-
2030-2034	994,265	48,241	-	-	-	-
2035-2039	970,586	48,241	-	-	-	-
2040-2044	637,568	48,241	-	-	-	-
2045-2049	51,613	18,136	-	-	-	-
Total	<u>\$4,653,299</u>	<u>\$ 254,516</u>	<u>\$ 20,088</u>	<u>\$ 23,292</u>	<u>\$ 44,339</u>	<u>\$7,889</u>

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

Note 11- Transfers

In 2019, the Village transferred money from the enterprise fund to the debt service fund to pay debt for an ongoing project.

Note 12- Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Village of West Salem
Wayne County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$37,540	\$23,091	-	-	\$60,631
Municipal Income Tax	202,158	67,615	-	-	269,773
Intergovernmental	34,833	88,163	-	-	122,996
Special Assessments	-	280	-	-	280
Charges for Services	51,315	17,819	-	-	69,134
Fines, Licenses and Permits	12,398	130	-	-	12,528
Earnings on Investments	9,042	330	\$ 1,950	-	11,322
Miscellaneous	18,208	2,460	-	-	20,668
<i>Total Cash Receipts</i>	<u>365,494</u>	<u>199,888</u>	<u>1,950</u>	<u>-</u>	<u>567,332</u>
Cash Disbursements					
Current:					
Security of Persons and Property	130,740	63,894	-	-	194,634
Public Health Services	4,066	42,980	-	-	47,046
Leisure Time Activities	66,130	-	-	-	66,130
Community Environment	3,790	-	-	-	3,790
Transportation	-	78,377	-	-	78,377
General Government	105,907	1,211	322	-	107,440
Capital Outlay	38,200	9,075	-	42,369	89,644
Debt Service:					
Principal Retirement	-	7,613	170,947	-	178,560
Interest and Fiscal Charges	-	542	65,934	-	66,476
<i>Total Cash Disbursements</i>	<u>348,833</u>	<u>203,692</u>	<u>237,203</u>	<u>42,369</u>	<u>832,097</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	16,661	(3,804)	(235,253)	(42,369)	(264,765)
Other Financing Receipts (Disbursements)					
Sale of Notes	-	-	-	42,369	42,369
Loans Issued	26,900	-	-	-	26,900
Transfers In	-	-	230,399	-	230,399
Transfers Out	-	(6,507)	-	-	(6,507)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>26,900</u>	<u>(6,507)</u>	<u>230,399</u>	<u>42,369</u>	<u>293,161</u>
<i>Net Change in Fund Cash Balances</i>	43,561	(10,311)	(4,854)	-	28,396
<i>Fund Cash Balances, January 1</i>	<u>167,621</u>	<u>306,679</u>	<u>125,577</u>	<u>36,897</u>	<u>636,774</u>
Fund Cash Balances, December 31					
Nonspendable	628	-	-	-	628
Restricted	-	296,368	-	36,897	333,265
Assigned	14,218	-	120,723	-	134,941
Unassigned (Deficit)	196,336	-	-	-	196,336
<i>Fund Cash Balances, December 31</i>	<u>\$211,182</u>	<u>\$296,368</u>	<u>\$120,723</u>	<u>\$36,897</u>	<u>\$665,170</u>

See accompanying notes to the basic financial statements

Village of West Salem, Ohio
Wayne County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$779,451	-	\$779,451
Fines, Licenses and Permits	-	\$17,635	17,635
<i>Total Operating Cash Receipts</i>	779,451	17,635	797,086
Operating Cash Disbursements			
Personal Services	185,681	-	185,681
Employee Fringe Benefits	66,052	-	66,052
Contractual Services	131,043	-	131,043
Supplies and Materials	93,538	-	93,538
Other	4,000	17,635	21,635
<i>Total Operating Cash Disbursements</i>	480,314	17,635	497,949
<i>Operating Income (Loss)</i>	299,137	-	299,137
Non-Operating Receipts (Disbursements)			
Special Assessments	238	-	238
Miscellaneous Receipts	10,913	-	10,913
Capital Outlay	(15,890)	-	(15,890)
Principal Retirement	(25,260)	-	(25,260)
Interest and Other Fiscal Charges	(2,211)	-	(2,211)
<i>Total Non-Operating Receipts (Disbursements)</i>	(32,210)	-	(32,210)
<i>Income (Loss) before Transfers</i>	266,927	-	266,927
Transfers In	13,014	-	13,014
Transfers Out	(236,906)	-	(236,906)
<i>Net Change in Fund Cash Balances</i>	43,035	-	43,035
<i>Fund Cash Balances, January 1</i>	751,546	628	752,174
<i>Fund Cash Balances, December 31</i>	\$794,581	\$628	\$795,209

See accompanying notes to the basic financial statements

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of West Salem, Wayne County, Ohio (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. A publicly-elected six-member Council directs the Village. The Village provides police, parks and recreation including a community campus, zoning, street maintenance and repairs, and water and sewer utilities services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and change in fund balance (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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 below:

General Fund 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. Unclaimed monies are reported in the general fund balance as nonspendable.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund The street construction maintenance and repair fund accounts for and reports the receipt 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 the receipt of income tax revenue restricted for the purpose of providing police services to the residents of the Village.

Debt Service Funds These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

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

Capital Project Funds These funds account for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Waste Water Treatment Fund The waste water treatment fund accounts for and reports the receipt of loans restricted for the waste water treatment project.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court activities.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Restricted Fund balance is 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.

Committed Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget in the General Fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 332,316	\$ 392,394	\$ 60,078
Special Revenue	183,135	199,888	16,753
Debt Service	231,212	232,349	1,137
Capital Projects	42,369	42,369	-
Enterprise	749,280	803,616	54,336

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity (continued)

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 408,295	\$ 359,013	\$ 49,282
Special Revenue	260,013	218,983	41,030
Debt Service	237,891	237,203	688
Capital Projects	42,369	42,369	-
Enterprise	857,544	779,193	78,351

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2018
Demand deposits	\$ 885,300
Certificates of deposit	58,520
STAR Plus	486,075
Total deposits	1,429,895
STAR Ohio	30,484
Total investments	30,484
Total deposits and investments	\$ 1,460,379

Deposits

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County in February each year. If the property owner elects to pay semiannually, the first half is due in February. The second half payment is due the following July.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes (continued)

Income Taxes

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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 equity at December 31, 2017 (latest information available).

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Risk Management (continued)

	<u>2017</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Pension Fund

The Village's full time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officers' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

The Village's council members contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018, and OP&F contributed 0.5% to fund these benefits.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA 5074 Loan	\$ 1,329,493	1.50%
OWDA 6208 Loan	321,611	1.50%
OWDA 6708 Loan	2,215,604	1.50%
OWDA 3936 Loan	124,181	3.85%
OWDA 7140 Loan	106,242	0.92%
OWDA 7482 Loan	201,845	2.51%
OPWC Loan #CP39P	168,849	0.00%
OPWC Loan #CP44T	100,139	0.00%
Ford F350 Truck	7,879	2.43%
John Deere Credit	14,755	4.50%
Police Vehicle	26,900	6.00%
Water Tower Lease	53,758	3.00%
Total	<u>\$ 4,671,256</u>	

The Ohio Water Development Authority (OWDA) Loan #5074 was issued for New Water Treatment Plant in 2011, payable in 30 years. The interest rate 1.5% and the final payment will be made in 2040. Payments will be made from user charges.

The OWDA Loan #6208 was issued for Well Field Purchase in 2013, payable in 30 years. The interest rate 1.5% and the final payment will be made in 2042. Payments will be made from user charges.

The OWDA Loan #6708 was issued for New Water Treatment Plant in 2015, payable in 40 years. The interest rate 1.5% and the final payment will be made in 2045. Payments will be made from user charges.

The OWDA Loan #3936 was issued for Phase II of the Sewer Repair and Replacement project in 2004, payable in 20 years. The interest rate 3.85% and the final payment will be made in 2036. Payments will be made from user charges.

The OWDA Loan #7140 was issued for the Main Street Waterline Replacement project in 2016, payable in 20 years. The interest rate 0.92% and the final payment will be made in 2036. Payments will be made from user charges.

The OWDA Loan #7482 was issued for the planning of Phase II of the Main Street Waterline Replacement with an interest rate of 2.51%. Disbursements for this loan are not complete and no amortization schedule is currently available as of December 31, 2018.

The Well Field Project was financed through a no interest Ohio Public Works Commission (OPWC) loan (CP39P). The loan matures in 2045. Payments will be made from user charges.

The West Buckeye Storm Sewer Replacement project was financed through a no interest OPWC loan (CP44T). The loan matures in 2048. Payments will be made from user charges.

Village of West Salem
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (continued)

In 2015 the Village financed the purchase of a Ford F350 truck with payments due annually. There is a 2.43% interest rate, maturing in June 2019. The Village intends to repay this load from the State Highway Fund.

The Village financed the purchase of a police vehicle with payments due annually. There is a 6.0% interest rate, maturing in April 2022. The Village intends to repay this loan from the General Fund.

The Village leases land for a water tower that was financed through a promissory note in the amount of \$112,001. The payments on the note are due annually. The note carries an interest rate of 3% and will mature in 2024. The Village intends to repay the note from user charges.

The Village financed the purchase of a mower with payments due annually. There is a 4.5% interest rate, maturing in April 2020. The Village intends to repay the note from the Street, Cemetery, Water and Sewer Funds.

Amortization

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

Year ending December 31	OWDA Loans	OPWC Loans	Mower	Tower Lease	Police Vehicle	Ford F350
2019	\$ 113,197	\$ 9,648	\$ 7,889	\$ 10,000	\$ 7,764	\$ 7,879
2020	226,394	9,648	7,889	10,000	7,764	-
2021	226,394	9,648	-	10,000	7,764	-
2022	226,394	9,648	-	10,000	7,764	-
2023	226,394	9,648	-	10,000	-	-
2024-2028	1,008,035	48,241	-	4,339	-	-
2029-2033	994,265	48,241	-	-	-	-
2034-2038	977,352	48,241	-	-	-	-
2039-2043	726,430	48,241	-	-	-	-
2044-2048	154,837	27,784	-	-	-	-
Total	<u>\$ 4,879,692</u>	<u>\$ 268,988</u>	<u>\$ 15,778</u>	<u>\$ 54,339</u>	<u>\$ 31,056</u>	<u>\$ 7,879</u>

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

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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 BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village of West Salem
Wayne County
PO Box 256
West Salem, Ohio 44287-0256

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of West Salem, Wayne County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Village's financial statements and have issued our report thereon dated June 10, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. *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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2019-001 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

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


We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 10, 2020.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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.
June 10, 2020

**VILLAGE OF WEST SALEM
WAYNE COUNTY
SCHEDULE OF FINDINGS
December 31, 2019 and 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2019-001 - Material Weakness

During 2019 and 2018, the Village erroneously recorded several transactions. The more significant adjustments are as follows:

- Did not record the proceeds or expenditure of two loans taken during the audit period, and recorded some amounts paid as interest instead of principal payments.
- Did not report several loans in their Hinkle filing notes in 2018.
- Included the encumbrances for multiple funds in the Assigned Fund Balance in the General Fund, thereby overstating the Assigned Fund Balance.
- Recorded the Debt Service Fund as Restricted instead of Assigned.

Adjustments were made in the financial statements and Village records.

The Village Officers' Handbook and the UAN accounting system provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned guidance will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend that the Village refer to Governmental Accounting Standards Board Statement No. 54, Audit Bulletin 2011-004, the Village Officers' Handbook, UAN Manual, and other Auditor of State guidance to properly classify its transactions. We also recommend the Fiscal Officer review all applicable statements and reports compiled by UAN to ensure their accuracy.

Management Response:

See Corrective Action Plan.

VILLAGE OF WEST SALEM
WAYNE COUNTY

CORRECTIVE ACTION PLAN
DECEMBER 31, 2019 AND 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	Vehicle loans will be reported in the Hinkle system notes. Will correct interest/principal applications. I will verify that funds are properly recorded as assigned/restricted as the ORC permits.	Immediately	Jennifer Webb, Fiscal Officer

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OHIO AUDITOR OF STATE
KEITH FABER



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
JULY 21, 2020**