

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of West Salem, Wayne County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2004 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 1, 2007

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**VILLAGE OF WEST SALEM
WAYNE COUNTY**

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

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

We have audited the accompanying financial statements of the Village of West Salem, Wayne County, Ohio, as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. While the Village does not follow GAAP, auditing standards generally accepted in the United States of America require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure the financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Village of West Salem
Wayne County
Report of Independent Accountants
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of West Salem, Wayne County, as of December 31, 2004, and its combined cash receipts and disbursements and reserves for encumbrances for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to accounting principles generally accepted in the United States of America also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2006, on our consideration of the Village of West Salem's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville Ohio
July 25, 2006

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type	
					Expendable	
Cash Receipts:						
Property tax & Other Local Taxes	\$41,058	\$18,775				\$59,833
Municipal Income Tax	187,168					187,168
Special Assessments		1,368	\$2,563			3,931
Intergovernmental	66,731	70,385		\$326,018		463,134
Charges for Services	34,730	16,883				51,613
Fines, Licenses & Permits	15,361	1,175				16,536
Earnings on Investments	3,230	512	1,252		\$15	5,009
Miscellaneous	3,086	12,021				15,107
Total Cash Receipts	351,364	121,119	3,815	326,018	15	802,331
Cash Disbursements:						
Current:						
Security of Persons & Property	114,187	1,754				115,941
Public Health	4,110	23,053			35	27,198
Leisure Time Activities	10,837					10,837
Community Environment		8,140				8,140
Transportation		95,865				95,865
General Government	161,025	84				161,109
Debt Service:						
Principal Payments	10,434		264,781			275,215
Interest Payments			41,339			41,339
Capital Outlay	14,609	10,988		326,018		351,615
Total Cash Disbursements	323,342	131,744	306,120	326,018	35	1,087,259
Total Cash Receipts Over/(Under) Disbursements	28,022	(10,625)	(302,305)		(20)	(284,928)
Other Financing Receipts/Disbursements						
Proceeds of Notes			155,000			155,000
Transfers-In		5,339	125,177			130,516
Transfers-Out	(11,410)					(11,410)
Sale of Fixed Assets	6,500					6,500
Total Other Financing Receipts/Disbursements	(4,910)	5,339	280,177			280,606
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other financing Disbursements	23,112	(5,286)	(22,128)		(20)	(4,322)
Fund Cash Balances, January 1	90,004	113,976	109,193		2,513	315,686
Fund Cash Balances, December 31	\$113,116	\$108,690	\$87,065		\$2,493	311,364
Reserves for Encumbrances, December 31	\$14,533	\$2,010				\$16,543

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$502,529		\$502,529
Fines, Licenses & Permits		\$23,745	23,745
Total Operating Cash Receipts	<u>502,529</u>	<u>23,745</u>	<u>526,274</u>
Operating Cash Disbursements:			
Personal Services	99,292		99,292
Fringe Benefits	32,176		32,176
Contractual Services	191,428		191,428
Supplies & Materials	13,033		13,033
Capital Outlay	270,101		270,101
Court Fine Distributions		21,766	21,766
Miscellaneous	850		850
Total Operating Cash Disbursements	<u>606,880</u>	<u>21,766</u>	<u>628,646</u>
Operating Income/(Loss)	(104,351)	1,979	(102,372)
Non-Operating Cash Receipts:			
Intergovernmental	258,501		258,501
Other Non-Operating Receipts	6,676		6,676
Total Non-Operating Cash Receipts	<u>265,177</u>		<u>265,177</u>
Non-Operating Cash Disbursements:			
Debt Service:	(24,613)		(24,613)
Excess of Receipts Over/(Under)			
Disbursements Before Interfund Transfers	136,213	1,979	138,192
Transfers-In	6,070		6,070
Transfers-Out	(125,177)		(125,177)
Net Receipts Over/(Under) Disbursements	17,106	1,979	19,085
Fund Cash Balances, January 1	<u>146,449</u>	<u>1,472</u>	<u>147,921</u>
Fund Cash Balances, December 31	<u>\$163,555</u>	<u>\$3,451</u>	<u>\$167,006</u>
Reserves for Encumbrances, December 31	<u>\$22,871</u>		<u>\$22,871</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of West Salem, Wayne County, (the Village) is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services including water and sewer utilities, maintenance of Village roads and bridges, park operations (leisure time activities), and police services. The Village contracts with Town and Country Fire District to provide fire protection services..

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in the fund cash balance. 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 disbursements, respectively.

Certificates of deposit and federal government agency securities are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at amounts reported by the pool.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for construction, maintenance, and repairing Village streets.

Cemetery Fund - this fund receives revenues from charges for services which are expended for the maintenance of the cemetery.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant debt service fund:

General Obligation Bond Retirement - This fund receives resources for the payment of principal and interest on the Village's general obligation bond and note debt.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund.

Issue II Grant Construction Fund - This fund is used to account for State Issue II monies distributed by the Ohio Public Works Commission on behalf of the Village for capital improvements.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other funds are classified as expendable.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Trust funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Cemetery Expendable Trust - This fund records donation and interest earned to provide cemetery maintenance.

Mayor's Court Agency Fund - This fund records activity in the Village Mayor's Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. EQUITY IN POOLED CASH

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

	<u>2004</u>
Demand deposits	\$106,296
Certificates of deposit	<u>53,000</u>
Total deposits	<u>159,296</u>
Federal governmental agency securities	74,428
STAR Ohio	<u>244,646</u>
Total investments	<u>319,074</u>
Total deposits and investments	<u>\$ 478,370</u>

Deposits: Deposits are (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Federal government agency securities are held by a bank trust department in the Village's name.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2004 follows:

Fund Type	2004 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$323,828	\$357,864	\$34,036
Special Revenue	103,308	126,458	23,150
Debt Service	272,265	283,992	11,727
Capital Projects	326,018	326,018	
Enterprise	764,332	773,776	9,444
Fiduciary	20,695	23,760	3,065
Total	<u>\$1,810,446</u>	<u>\$1,891,868</u>	<u>\$81,422</u>

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

<u>Fund Type</u>	2004 Budgeted vs Actual Budgetary Basis Expenditures		
	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$412,083	\$349,285	\$62,798
Special Revenue	173,985	133,754	40,231
Debt Service	314,599	306,120	8,479
Capital Projects	326,018	326,018	
Enterprise	886,007	779,541	106,466
Fiduciary	26,388	21,801	4,587
Total	<u>\$2,139,080</u>	<u>\$1,916,519</u>	<u>\$222,561</u>

Contrary to the Ohio Revised Code, appropriations exceeded the estimated resources in the Fiduciary Fund Type during 2004.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of .75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside 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.

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans -		
1989, 1996, 2001, & 2003	\$ 754,853	4.65 - 7.0%
Ohio Public Works Commission Loan - 1995 & 1997	107,462	0.00%
General Obligation Notes - 2001 & 2003	217,129	2.53%
Mortgage Revenue Bonds - 1965	<u>16,000</u>	4.00%
 Total	 <u>\$1,095,444</u>	

The Village has four loans from the Ohio Water Development Authority (OWDA). The 1989 loan relates to a sewer plant renovation and expansion project and will be repaid over a remaining period of 5 years; the 1996 loan relates to a water line upgrade and will be repaid over a remaining period of 11 years; and the 2001 loan relates to a new lift station for the sewer plant operation and will be repaid over a remaining period of 7 years. The 2003 loan was for a sewer upgrade and will be repaid over 20 years. These loans will be repaid in semiannual installments, including interest and are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village has obtained two loans from the Ohio Public Works Commission (OPWC). The 1995 loan relates to construction of the Village water storage tank and will be repaid over a remaining period of 11 years. The 1997 loan relates to the replacement of waterlines and will be repaid over the remaining period of 5 years. The loans will be repaid in semiannual installments, with no interest, collateralized by the Village's Local Government Assistance receipts.

The Village's General Obligation Notes consist of an annual renewable note with Farmer's Savings Bank for the construction of sewer lines, with a current outstanding principal of \$155,000. The loan will be repaid from general government resources. The Village issued a note with Farmer's State Bank in 2001 for the purchase of new water meters to be repaid from water receipts over a remaining period of 2 years. The Village borrowed \$47,000 from Wayne County National Bank in 2003 for the renovation of its offices to be repaid over 5 years from general government resources.

The Village's Mortgage Revenue Bonds of 1965 were issued for the purpose of constructing a sanitary sewage system and sewer disposal facilities. These bonds will be repaid in annual installments over a remaining period of 2 years. The bonds will be repaid in annual principal and semiannual interest installments from special assessments on property owners and general revenues of the Village. The bonds are collateralized by a mortgage on the property financed in the general taxing authority of the Village.

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

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>General Obligation Loans</u>	<u>Mortgage Revenue Bonds</u>
2005	\$ 180,833	\$ 13,154	\$ 171,894	\$ 9,765
2006	181,595	13,154	14,118	7,297
2007	182,420	13,154	10,434	
2008	183,314	8,000	10,434	
2009	161,603	40,000		
2010-2014	<u>4,994</u>	<u>20,000</u>		
 Total	 <u>\$ 894,759</u>	<u>\$ 107,462</u>	<u>\$ 206,880</u>	<u>\$ 17,062</u>

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contributions rates are also prescribed by the Ohio Revised Code. For 2004, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2004. All contributions were paid for PERS through December 31, 2004.

8. RISK MANAGEMENT

The Village has obtained insurance for the following risks through the Ohio Government Risk Plan, a consortium of local government entities to purchase commercial insurance:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Law enforcement
- Inland marine;
- Electronic data processing

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

9. DEBT SERVICE TRUST FUNDS

The Mortgage Revenue Bond Trust Agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. These assets and related receipts and disbursements are reflected in the accompanying financial statements.

10. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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KNOX & KNOX

Accountants and Consultants

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of West Salem, Wayne County, Ohio,(the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated July 25, 2006 wherein we noted that the Village prepared its financial statements using accounting practices prescribed by the Auditor of State rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In a separate letter to the Village's management dated July 25, 2006, we reported a matter related to non-compliance that we deemed immaterial.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's Internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Village's management dated July 25, 2006 we reported a matter involving internal control over financial reporting that we did not deem a reportable condition.

Village of West Salem
Wayne County
Independent Accountants' Report on Compliance and
on Internal Control Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the management, the audit committee, the Village Council, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

KNOX & KNOX

Orrville, Ohio
July 25, 2006

**VILLAGE OF WEST SALEM
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-01	Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources	No	No - See comment in Management Letter dated July 25, 2006



Mary Taylor, CPA

Auditor of State

VILLAGE OF WEST SALEM

WAYNE COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2007**