

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

*Financial Statements*  
**(Audited)**

For The Year Ended  
December 31, 2003

**SHARON PINNICK, CLERK/TREASURER**





**Auditor of State  
Betty Montgomery**

Members of Council and Mayor  
Village of Farmersville  
44 Maple Street  
Farmersville, Ohio 45325

We have reviewed the Independent Auditor's Report of the Village of Farmersville, Montgomery County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2003. 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 Farmersville is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

May 17, 2004

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**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Worthington, Ohio 43085

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## Independent Auditor’s Report

Members of Council and Mayor  
Village of Farmersville  
44 Maple Street  
Farmersville, OH 45325

We have audited the accompanying financial statements of the Village of Farmersville, (the “Village”), Montgomery County, Ohio, as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village of Farmersville’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 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 discussed in Note 2, the Village of Farmersville prepares its financial statements on the basis of accounting prescribed or permitted by Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and fund balances of the Village of Farmersville, as of December 31, 2003, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 15, 2004, on our consideration of the Village of Farmersville’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

This report is intended solely for the information and use of the Village of Farmersville’s management and other officials authorized to receive this report under section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.  
March 15, 2004

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND  
BALANCES - ALL FUND TYPES -  
DECEMBER 31, 2003

<u>Cash and Cash Equivalents</u>	<u>2003</u>
Cash and Cash Equivalents	\$ 298,785
Total Cash and Cash Equivalents	<u>\$ 298,785</u>
<u>Fund Balances</u>	
<u>Governmental Fund Types:</u>	
General Fund	\$ 92,079
Special Revenue Funds	<u>102,281</u>
Total Governmental Fund Types	<u>194,360</u>
<u>Proprietary Fund Type:</u>	
Enterprise Funds	<u>104,425</u>
Total Fund Balances	<u>\$ 298,785</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 152,124	\$ 88,123	\$ 240,247
Intergovernmental	48,799	41,966	90,765
Special assessments	-	18,982	18,982
Charges for services	3,733	-	3,733
Fines, licenses, and permits	475	-	475
Interest	1,143	215	1,358
Miscellaneous	273	-	273
Total cash receipts	206,547	149,286	355,833
Cash disbursements:			
Current:			
Security of persons and property	25,849	71,438	97,287
Transportation	-	52,016	52,016
General government	116,646	2,246	118,892
Capital outlay	4,070	4,755	8,825
Debt service:			
Principal retirement	25,000	2,162	27,162
Interest charges	-	4,545	4,545
Total cash disbursements	171,565	137,162	308,727
Excess of cash receipts over cash disbursements	34,982	12,124	47,106
Cash fund balances, January 1, 2003	57,097	90,157	147,254
Cash fund balances, December 31, 2003	\$ 92,079	\$ 102,281	\$ 194,360

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY FUND TYPE -  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 284,293
Total operating cash receipts	284,293
Operating cash disbursements:	
Personal services	72,602
Employee fringe benefits	24,671
Contractual services	212,482
Supplies and material	113,788
Capital outlay	311,377
Total operating cash disbursements	734,920
Operating loss	(450,627)
Nonoperating cash receipts/(disbursements):	
Intergovernmental receipts	473,753
Debt service:	
Principal	(34,676)
Interest	(14,080)
Total nonoperating cash receipts/(disbursements)	424,997
Net loss	(25,630)
Cash fund balances, January 1, 2003	130,055
Cash fund balances, December 31, 2003	\$ 104,425

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL -  
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 58,322	\$ 175,672	\$ 233,994	\$ 206,547	\$ 30,875	\$ -	\$ 207,875	\$ 207,875	\$ 171,565	\$ 2,624	\$ 174,189	\$ 33,686
Special Revenue	89,809	325,431	415,240	149,286	(176,145)	14	174,589	174,603	137,162	-	137,162	37,441
Proprietary:												
Enterprise	<u>129,178</u>	<u>300,950</u>	<u>430,128</u>	<u>758,046</u>	<u>457,096</u>	<u>-</u>	<u>564,379</u>	<u>564,379</u>	<u>783,676</u>	<u>2,150</u>	<u>785,826</u>	<u>(221,447)</u>
Total (Memorandum Only)	<u>\$ 277,309</u>	<u>\$ 802,053</u>	<u>\$ 1,079,362</u>	<u>\$ 1,113,879</u>	<u>\$ 311,826</u>	<u>\$ 14</u>	<u>\$ 946,843</u>	<u>\$ 946,857</u>	<u>\$ 1,092,403</u>	<u>\$ 4,774</u>	<u>\$ 1,097,177</u>	<u>\$ (150,320)</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Village of Farmersville, Montgomery County, Ohio (the “Village”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: water and sewer utilities, refuse services, street maintenance and repair, park operations, emergency medical services, fire protection and police services, as well as other general government services. The Village contracts with the Jackson Township police department to provide security of persons and property.

The Village is a participant in the Farmersville/Jackson Township Joint Park Board. The Park Levy proceeds are received by the Township and expenditures are approved and processed by the Township.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Village’s accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village:

**General Fund**

The general fund is used to account for all activities of the Village not required to be included 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.

**Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Village had the following significant special revenue funds:

*Street Construction, Maintenance & Repair Fund* - This fund receives semi-annual tax settlements from the County Auditor and rollback and homestead reimbursements for reductions in property taxes. This fund is used to maintain and repair roads, road equipment and machinery.

*Police Operating Levy* - This fund receives semi-annual tax settlements from the County Auditor and rollback and homestead reimbursements for reductions in property taxes. This fund is used to pay Jackson Township for police protection services.

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 costs of providing the citizens of the Village with water services.

*Sewer Fund* - This fund receives charges for services from residents to cover the costs of providing the citizens of the Village with sewer services.

**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.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Montgomery County Auditor waived this requirement for 2003.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted supplemental appropriations during the year ended December 31, 2003.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2003.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$1,358 for the year ended December 31, 2003.

**E. PROPERTY, PLANT AND EQUIPMENT**

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. UNPAID VACATION AND SICK LEAVE

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

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - COMPLIANCE**

A. In noncompliance with Ohio Revised Code Section 5705.39, the following funds had appropriations in excess of estimated resources for the year ended December 31:

<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue</u>			
FEMA	\$ -	\$ 1,912	\$ (1,912)
<u>Enterprise</u>			
Water	170,060	352,071	(182,011)
Refuse	51,875	52,475	(600)



**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 3 - COMPLIANCE - (Continued)**

B. In noncompliance with Ohio Revised Code Section 5705.41(B), the following fund had expenditures in excess of appropriations for the year ended December 31:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Enterprise</u>			
Water	\$ 352,071	\$ 624,562	\$ (272,491)

Disclosure is presented at the fund level, rather than at the department and item level within the fund due to the practicality of disclosing these values.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The Village maintains a cash and investment 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:

Deposits: Demand deposits	\$ 246,691
Investments: STAR Ohio	<u>52,094</u>
Total Cash and Cash Equivalents	<u>\$ 298,785</u>

*Deposits:* Deposits are either (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 endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio are valued at amounts reported by the State Treasurer. Investments are reported as assets. Accordingly, purchase of investments is not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements respectively.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 5 - LOCAL INCOME TAX**

This locally levied tax of 1% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. The Village's income tax is administered by the Village of Germantown. Tax receipts are credited to the Village's general fund and amounted to \$84,709 in 2003.

**NOTE 6 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 7 - DEBT OBLIGATIONS**

At December 31, 2003, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/2003</u>
2000 US Bank bonds for various purposes due in annual installments of \$13,679 through 2019 bearing interest at 6.56%.	\$ 133,069
1998 Ohio Water Development Authority (OWDA) note for water improvements due in semi-annual installments of \$10,202 through 2014 bearing interest at 5.66%.	158,157
1998 Ohio Public Works Commission (OPWC) note for water improvements, due in semi-annual installments of \$7,368 through 2018, bearing no interest.	213,685
1992 OPWC note for sewer improvements, due in semi-annual installments of \$3,175, due in 2012, bearing no interest.	<u>57,150</u>
Total debt obligations at December 31, 2003	<u>\$ 562,061</u>

Transactions for the year ended December 31, 2003, are summarized as follows:

	<u>Balance at 12/31/2002</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/2003</u>
Note - Private - 2002	\$ 25,000	\$ -	\$ (25,000)	\$ -
Bonds - US Bank - 2000	137,982	-	(4,913)	133,069
Note - OWDA - 1998	168,996	-	(10,839)	158,157
Note - OPWC - 1998	228,421	-	(14,736)	213,685
Note - OPWC - 1992	<u>63,500</u>	<u>-</u>	<u>(6,350)</u>	<u>57,150</u>
Total Notes	<u>\$ 623,899</u>	<u>\$ -</u>	<u>\$ (61,838)</u>	<u>\$ 562,061</u>

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 7 - DEBT OBLIGATIONS - (Continued)**

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2003, are as follows:

Year Ending December 31,	2000 Bonds - US Bank		1998 Note - OWDA		1998 Note - OPWC	1992 Note - OPWC
	Principal	Interest	Principal	Interest	Principal	Principal
2004	\$ 4,949	\$ 8,730	\$ 11,452	\$ 8,952	\$ 14,736	\$ 3,175
2005	5,274	8,405	12,095	8,309	14,736	6,350
2006	5,620	8,059	12,786	7,618	14,736	6,350
2007	5,968	7,711	13,599	6,809	14,736	6,350
2008	6,361	7,298	14,273	6,131	14,736	6,350
2009 - 2013	39,763	28,632	84,440	17,580	73,680	28,575
2014 - 2018	53,259	15,136	9,512	805	66,325	-
2019 - 2020	<u>11,875</u>	<u>842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 133,069</u>	<u>\$ 84,813</u>	<u>\$ 158,157</u>	<u>\$ 56,204</u>	<u>\$ 213,685</u>	<u>\$ 57,150</u>

**NOTE 8 - RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. At December 31, 2003 the Village had no unpaid liability for PERS.

**NOTE 9 - RISK MANAGEMENT**

In 2003, the Village obtained commercial insurance for the following risks: buildings and contents, vehicles, inland marine and public official's liability.

The Village also provides health insurance to full-time employees through a private carrier.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 10 - CONTINGENT LIABILITY**

LITIGATION

The Village is involved in litigation. The Village's management and legal counsel are not able to predict at this time the outcome of the pending litigation.

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Members of Council and Mayor  
Village of Farmersville  
44 Maple Street  
Farmersville, OH 45325

We have audited the financial statements of the Village of Farmersville as of and for the year ended December 31, 2003, and have issued our report thereon dated March 15, 2004. 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 of Farmersville’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 two instances of noncompliance that is required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-VOF-001 and 2003-VOF-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated March 15, 2004.

Members of Council and Mayor  
Village of Farmersville

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Farmersville'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. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the Village of Farmersville in a separate letter dated March 15, 2004.

This report is intended for the information of the Council of the Village of Farmersville and its management and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.  
March 15, 2004

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2003-VOF-001
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Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

It was noted during the audit that for the year ended December 31, 2003, the Village had appropriations exceeding estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue</u>			
FEMA	\$ -	\$ 1,912	\$ (1,912)
 <u>Enterprise</u>			
Water	170,060	352,071	(182,011)
Refuse	51,875	52,475	(600)

With appropriations exceeding estimated resources, the Village is unlawfully appropriating monies and thus could cause a negative fund balance.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.



**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2003-VOF-002
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Village had expenditures in excess of appropriations for the year ended December 31, 2003 in the following fund:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Enterprise</u>			
Water	\$ 352,071	\$ 624,562	\$ (272,491)

Disclosure is presented at the fund level, rather than at the department and item level within the fund due to the practicality of disclosing these values.

The Village is expending monies that have not been appropriated by the Members of Council. This could result in unnecessary purchases or fund deficits.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2002-VOF-001	Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies then estimated resources.	No	The Village is attempting to file additional amended certificates with the County Auditor as notified that new monies will be received.



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF FARMERSVILLE**

**MONTGOMERY 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  
JUNE 1, 2004**