



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY
DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

Village of Farmersville
Montgomery County
117 East Walnut Street
Farmersville, Ohio 45325

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 the Village of Farmersville, Montgomery County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016.

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

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

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

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 these 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 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, 2017 and 2016, and the respective 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 related notes of the Village of Farmersville, Montgomery County, as of December 31, 2017 and 2016, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 3, 2019

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Taxes	\$77,606	\$66,561		\$144,167
Municipal Income Tax	161,842			161,842
Intergovernmental	27,159	58,351	408,032	493,542
Special Assessments		21,295		21,295
Charges for Services	8,600			8,600
Fines, Licenses and Permits	5,581			5,581
Earnings on Investments	587			587
Miscellaneous	9,188			9,188
<i>Total Cash Receipts</i>	<u>290,563</u>	<u>146,207</u>	<u>408,032</u>	<u>844,802</u>
Cash Disbursements				
Current:				
Security of Persons & Property	53,799	74,265		128,064
Transportation	24,633	93,653		118,286
General Government	184,224	1,644		185,868
Capital Outlay	3,421	4,000	410,119	417,540
Debt Service:				
Principal Retirement		5,370		5,370
Interest and Fiscal Charges		1,087		1,087
<i>Total Cash Disbursements</i>	<u>266,077</u>	<u>180,019</u>	<u>410,119</u>	<u>856,215</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>24,486</u>	<u>(33,812)</u>	<u>(2,087)</u>	<u>(11,413)</u>
Other Financing Receipts (Disbursements)				
Transfers In		25,000	22,562	47,562
Transfers Out	(47,562)			(47,562)
Advances In	20,475	9,290	(20,475)	9,290
Advances Out	(9,290)			(9,290)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(36,377)</u>	<u>34,290</u>	<u>2,087</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(11,891)</u>	<u>478</u>	<u>0</u>	<u>(11,413)</u>
<i>Fund Cash Balances, January 1</i>	<u>16,896</u>	<u>18,945</u>	<u>0</u>	<u>35,841</u>
Fund Cash Balances, December 31				
Restricted		19,423		19,423
Assigned	850			850
Unassigned	4,155			4,155
<i>Fund Cash Balances, December 31</i>	<u>\$5,005</u>	<u>\$19,423</u>	<u>\$0</u>	<u>\$24,428</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$489,382
Miscellaneous	3,759
	<hr/>
<i>Total Operating Cash Receipts</i>	493,141
	<hr/>
Operating Cash Disbursements	
Personal Services	120,358
Employee Fringe Benefits	42,302
Contractual Services	153,766
Supplies and Materials	88,450
	<hr/>
<i>Total Operating Cash Disbursements</i>	404,876
	<hr/>
<i>Operating Income</i>	88,265
	<hr/>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	7,791
Capital Outlay	(24,627)
Principal Retirement	(28,149)
Interest and Other Fiscal Charges	(3,997)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	(48,982)
	<hr/>
<i>Net Change in Fund Cash Balances</i>	39,283
	<hr/>
<i>Fund Cash Balances, January 1</i>	208,002
	<hr/>
<i>Fund Cash Balances, December 31</i>	\$247,285
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Farmersville (the Village), Montgomery County, 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 water and sewer utilities and street maintenance and repair. The Village works in conjunction with Jackson Township to provide park operations. The Village contracts with Rumpke for trash services. The Village contracts with Jackson Township to provide police services.

Related Organization and Public Entity Risk Pool

The Village participates in a related organization and a public entity risk pool. Notes 8 and 12 to the financial statements provides additional information for these entities. 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 changes in fund balances (regulatory cash basis) for all proprietary 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.

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

Police Operating Levy This fund accounts for and reports that portion of property taxes related to the police operating levy for the Village, and is restricted for payment of police services within the Village.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned 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:

Hemple Road Phase II This fund accounts for and reports proceeds received from the Ohio Public Works Commission (OPWC). The proceeds are restricted for the Hemple Road Project, Phase II.

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 the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

Refuse Fund The refuse fund accounts for the provision of refuse services to the residents and commercial users within the Village.

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 Board 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 expenditures 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 be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, program, or object 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.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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 reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

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.

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.

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 (resolution). The Village must adhere to these commitments unless the Council amends the 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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$9,290 and in the Hemple Road Phase II Fund by \$20,475 for the year ended December 31, 2017.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$282,360	\$311,038	\$28,678
Special Revenue	180,596	180,497	(99)
Capital Projects	430,583	430,594	11
Enterprise	486,740	500,932	14,192
Total	\$1,380,279	\$1,423,061	\$42,782

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$314,489	\$323,779	(\$9,290)
Special Revenue	180,543	180,543	0
Capital Projects	410,119	430,594	(20,475)
Enterprise	464,084	464,074	10
Total	\$1,369,235	\$1,398,990	(\$29,755)

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – 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:

	2017
Demand deposits	\$169,540
Savings deposits	1,108
Total deposits	170,648
STAR Ohio	101,065
Total investments	101,065
Total deposits and investments	\$271,713

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or 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.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the 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 homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

Income Taxes

The Village levies a municipal income tax of 1.0 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 of the Village.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Taxes (Continued)

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 7 – Interfund Balances

Advances

Outstanding advances at December 31, 2017, consisted of a total of \$11,490 advanced to West Center Street Phase 4 Fund in 2016 and 2017 to provide working capital for operations or projects.

Note 8 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 - Risk Management (Continued)

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$10,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u> <u>\$ 16,273</u>
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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, 2017.

Social Security

Village's Council members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 11 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Loan CD016	\$14,737	0.00%
OWDA Loan #4688	66,257	4.12%
US Bank Bonds	24,882	6.56%
Total	\$105,876	

The Ohio Public Works Commission (OPWC) loan relates to a water treatment plant improvement project from 1998. Principal payments are due in semi-annual installments of \$7,368 through 2018 and do not bear any interest.

The Ohio Water Development Authority (OWDA) loan relates to sanitary sewer improvements from 2007. Principal and interest payments are due in semi-annual installments through 2027 with an interest rate of 4.12%.

The US Bank Bonds have been held since January 21, 2000 for various purposes. Bond payments are due in annual installments through 2019 at a 6.56% interest rate.

Amortization

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	OPWC Loan	OWDA Loan	US Bank Bonds
2018	\$14,737	\$5,828	\$12,046
2019		6,071	12,836
2020		6,324	
2021		6,587	
2022		6,861	
2023-2027		34,586	
Total	\$14,737	\$66,257	\$24,882

Note 12 – Related Organization

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.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Taxes	\$76,048	\$65,835		\$141,883
Municipal Income Tax	192,838			192,838
Intergovernmental	28,127	56,821	74,807	159,755
Special Assessments		21,341		21,341
Charges for Services	8,700			8,700
Fines, Licenses and Permits	5,074			5,074
Earnings on Investments	93			93
Miscellaneous	5,296			5,296
<i>Total Cash Receipts</i>	<u>316,176</u>	<u>143,997</u>	<u>74,807</u>	<u>534,980</u>
Cash Disbursements				
Current:				
Security of Persons & Property	53,800	73,650		127,450
Transportation		102,355		102,355
General Government	147,039	1,696		148,735
Capital Outlay	2,550		58,120	60,670
Debt Service:				
Principal Retirement		5,039		5,039
Interest and Fiscal Charges		1,458		1,458
<i>Total Cash Disbursements</i>	<u>203,389</u>	<u>184,198</u>	<u>58,120</u>	<u>445,707</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>112,787</u>	<u>(40,201)</u>	<u>16,687</u>	<u>89,273</u>
Other Financing Receipts (Disbursements)				
Transfers In		40,000	39,269	79,269
Transfers Out	(79,269)			(79,269)
Advances In		2,200	20,475	22,675
Advances Out	(22,675)			(22,675)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(101,944)</u>	<u>42,200</u>	<u>59,744</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	10,843	1,999	76,431	89,273
<i>Fund Cash Balances, January 1</i>	<u>6,053</u>	<u>16,946</u>	<u>(76,431)</u>	<u>(53,432)</u>
Fund Cash Balances, December 31				
Restricted		18,945		18,945
Assigned	16,896			16,896
<i>Fund Cash Balances, December 31</i>	<u>\$16,896</u>	<u>\$18,945</u>	<u>\$0</u>	<u>\$35,841</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$467,169
Miscellaneous	4,809
<i>Total Operating Cash Receipts</i>	<u>471,978</u>
Operating Cash Disbursements	
Personal Services	142,791
Employee Fringe Benefits	42,335
Contractual Services	136,246
Supplies and Materials	66,867
<i>Total Operating Cash Disbursements</i>	<u>388,239</u>
<i>Operating Income</i>	<u>83,739</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	20,959
Capital Outlay	(55,641)
Principal Retirement	(25,678)
Interest and Other Fiscal Charges	(4,499)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(64,859)</u>
<i>Net Change in Fund Cash Balances</i>	18,880
<i>Fund Cash Balances, January 1</i>	<u>189,122</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$208,002</u></u>

See accompanying notes to the basic financial statements

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Farmersville (the Village), Montgomery County, 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 water and sewer utilities and street maintenance and repair. The Village works in conjunction with Jackson Township to provide park operations. The Village contracts with Rumpke for trash services. The Village contracts with Jackson Township to provide police services.

Related Organization and Public Entity Risk Pool

The Village participates in a related organization and a public entity risk pool. Notes 7 and 11 to the financial statements provides additional information for these entities. 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 changes in fund balances (regulatory cash basis) for all proprietary 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.

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

Police Operating Levy This fund accounts for and reports that portion of property taxes related to the police operating levy for the Village, and is restricted for payment of police services within the Village.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned 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 funds:

Hemple Road Improvements This fund accounts for and reports proceeds received from the Ohio Public Works Commission (OPWC). The proceeds are restricted for the Hemple Road Project, Phase I.

Hemple Road Phase II This fund accounts for and reports proceeds received from the Ohio Public Works Commission (OPWC). The proceeds are restricted for the Hemple Road Project, Phase II.

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 the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

Refuse Fund The refuse fund accounts for the provision of refuse services to the residents and commercial users within the Village.

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 Board 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 expenditures 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 be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, program, or 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.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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 reappropriated.

A summary of 2016 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.

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.

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 (resolution). The Village must adhere to these commitments unless the Council amends the 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.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

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 ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$308,720	\$316,176	\$7,456
Special Revenue	186,350	186,197	(153)
Capital Projects	134,551	134,551	0
Enterprise	491,793	492,937	1,144
Total	\$1,121,414	\$1,129,861	\$8,447

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$317,192	\$305,572	\$11,620
Special Revenue	191,076	184,411	6,665
Capital Projects	58,120	58,120	0
Enterprise	507,520	480,217	27,303
Total	\$1,073,908	\$1,028,320	\$45,588

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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:

	2016
Demand deposits	\$142,243
Savings deposits	99,051
Total deposits	241,294
STAR Ohio	2,549
Total investments	2,549
Total deposits and investments	\$243,843

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments

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 the 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 homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

Income Taxes

The Village levies a municipal income tax of 1.0 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 of the Village.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes (Continued)

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 – Interfund Balances

Advances

Outstanding advances at December 31, 2016, consisted of a total of \$22,675 advanced to the West Center Street Phase 4 Fund and the Hemple Road Phase II Fund to provide working capital for operations or projects.

Note 7 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management (Continued)

	<u>2016</u>
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	\$28,785,581

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$10,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2016 Contributions to PEP</u>
<u>\$ 15,635</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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, 2016.

Social Security

Village Council members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Defined Benefit Pension Plans (Continued)

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Loan CD016	\$29,473	0.00%
OWDA Loan #4688	71,853	4.12%
US Bank Bonds	36,187	6.56%
First National Bank Loan - Mower	1,772	4.00%
Total	\$139,285	

The Ohio Public Works Commission (OPWC) loan relates to a water treatment plant improvement project from 1998. Principal payments are due in semi-annual installments of \$7,368 through 2018 and do not bear any interest.

The Ohio Water Development Authority (OWDA) loan relates to sanitary sewer improvements from 2007. Principal and interest payments are due in semi-annual installments through 2027 with an interest rate of 4.12%.

The US Bank Bonds have been held since January 21, 2000 for various purposes. Bond payments are due in annual installments through 2019 at a 6.56% interest rate.

The First National Bank loan relates to the financing of a lawn mower for use by the Village and Jackson Township. The Village will pay for one quarter of the total price and Jackson Township will pay for the remainder of the loan amount. Jackson Township paid their entire portion, totaling \$4,884, during 2016. The remaining principal will be made by the Village during 2017. The loan has a 4.0% interest rate.

Amortization

Amortization of the above debt is scheduled as follows:

Village of Farmersville
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt (Continued)

Year Ending December 31:	OPWC Loan	OWDA Loan	US Bank Bonds	First National Bank Loan - Mower
2017	\$14,737	\$5,596	\$11,305	\$1,772
2018	14,736	5,829	12,046	
2019		6,071	12,836	
2020		6,324		
2021		6,587		
2022-2026		37,283		
2027		4,163		
Total	<u>\$29,473</u>	<u>\$71,853</u>	<u>\$36,187</u>	<u>\$1,772</u>

Note 11 – Related Organization

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.

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Farmersville
Montgomery County
117 East Walnut Street
Farmersville, Ohio 45325

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Farmersville, Montgomery County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 3, 2019 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 2017-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

June 3, 2019

VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village presented its 2017 and 2016 financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

The Village's financial statements for 2017 and 2016 contained the following errors which resulted in adjustments to correctly report the Village's financial activity:

- The Village improperly recorded a receipt for utilities as an income tax receipt in 2017. As a result, Enterprise Fund charges for services receipts and fund cash balances, December 31 were understated by \$1,060 and General Fund income tax receipts and fund cash balance, December 31 were overstated by \$1,060 in 2017.
- Governmental Accounting Standards Board (GASB) Codification 1800.176 states, in part, an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount of no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. At December 31, 2016, the General Fund's subsequent year appropriations exceeded estimated resources; however, the Village did not assign fund's balance accordingly. As a result, assigned balance was understated and unassigned balance was overstated by \$16,896 for the General Fund in 2016.
- GASB Codification 1800.184 states, in part, encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned should not be classified as unassigned but, rather, should be included within committed or assigned fund balance, as appropriate. At December 31, 2017, the General Fund had outstanding encumbrances; however, the Village did not classify the outstanding encumbrances as assigned fund balance. As a result, assigned balance was understated and unassigned balance was overstated by \$850 for the General Fund in 2017.

The Village's accounting system was adjusted for the errors noted above.

The Village should use due care in preparation of the annual report. The Village should implement control procedures related to recording of Village financial activity to verify that all financial activity is recorded correctly. Additionally, the Village should utilize the Village Officer's Handbook to aid in recording financial activity. Failure to properly record financial activity could result in inaccurate financial statements, future audit adjustments, and decisions made by the Village Council based on inaccurate financial information.

Officials' Response

We did not receive a response from Officials to this finding.

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OHIO AUDITOR OF STATE
KEITH FABER



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 20, 2019**