

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

*Financial Statements*  
**(Audited)**

For The Years Ended  
December 31, 2005 and 2004





# Mary Taylor, CPA

Auditor of State

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 Julian and Grube, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 Auditor's 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 Auditor's 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 Farmersville is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA  
Auditor of State

May 8, 2007

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**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1 - 2
Combined Statement of Cash Fund Balances - All Fund Types - December 31, 2005 and 2004 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types - For The Year Ended December 31, 2005 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary Fund Type - For The Year Ended December 31, 2005 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual - For The Year Ended December 31, 2005 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types - For The Year Ended December 31, 2004 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary Fund Type - For The Year Ended December 31, 2004 .....	8
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual - For The Year Ended December 31, 2004 .....	9
Notes to the Financial Statements.....	10 - 20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	21 - 22
Schedule of Findings.....	23 - 25
Status of Prior Audit Findings .....	26

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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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 years ended December 31, 2005 and 2004. 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 described more fully in Note 2, the Village of Farmersville has prepared these 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 the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village of Farmersville to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village of Farmersville does not follow GAAP, generally accepted auditing standards requires 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 of Farmersville has elected not to reformat its statements. Since the Village of Farmersville does not use GAAP to measure 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Farmersville as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, 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, Montgomery County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

Village of Farmersville  
Independent Auditor's Report  
Page Two

The aforementioned revision to generally accepted accounting principles also requires the Village of Farmersville to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village of Farmersville 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 a report dated February 28, 2007, 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 agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
February 28, 2007



**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2005 AND 2004

<u>Cash and Cash Equivalents</u>	2005	2004
Cash and Cash Equivalents	\$ 354,670	\$ 299,053
Total Cash and Cash Equivalents	\$ 354,670	\$ 299,053
<u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 107,857	\$ 89,474
Special Revenue Funds	48,326	71,807
Total Governmental Fund Types	156,183	161,281
<u>Proprietary Fund Type:</u>		
Enterprise Funds	198,487	137,772
Total Proprietary Fund Type	198,487	137,772
Total Cash Fund Balances	\$ 354,670	\$ 299,053

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, 2005

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 86,070	\$ 69,380	\$ 155,450
Income Tax	126,923	-	126,923
Intergovernmental	417,255	232,777	650,032
Special assessments	-	32,901	32,901
Charges for services	3,786	-	3,786
Fines, licenses, and permits	965	-	965
Interest	3,129	220	3,349
Miscellaneous	5,306	-	5,306
Total cash receipts	<u>643,434</u>	<u>335,278</u>	<u>978,712</u>
Cash disbursements:			
Current:			
Security of persons and property	44,083	59,091	103,174
Transportation	-	88,913	88,913
General government	134,087	-	134,087
Capital outlay	483,844	207,167	691,011
Debt service:			
Principal retirement	2,088	4,581	6,669
Interest	455	4,786	5,241
Total cash disbursements	<u>664,557</u>	<u>364,538</u>	<u>1,029,095</u>
Total cash receipts (under) cash disbursements	<u>(21,123)</u>	<u>(29,260)</u>	<u>(50,383)</u>
Other financing receipts/(disbursements):			
Proceeds from sale of bonds	22,856	22,429	45,285
Advances in	16,650	-	16,650
Advances out	-	(16,650)	(16,650)
Total other financing receipts/(disbursements)	<u>39,506</u>	<u>5,779</u>	<u>45,285</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	18,383	(23,481)	(5,098)
Cash fund balances, January 1, 2005	<u>89,474</u>	<u>71,807</u>	<u>161,281</u>
Cash fund balances, December 31, 2005	<u>\$ 107,857</u>	<u>\$ 48,326</u>	<u>\$ 156,183</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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 311,031
Total operating cash receipts	311,031
Operating cash disbursements:	
Personal services	55,015
Employee fringe benefits	21,100
Contractual services	97,745
Supplies and material	45,691
Capital outlay	211,650
Total operating cash disbursements	431,201
Operating loss	(120,170)
Nonoperating cash receipts/(disbursements):	
Intergovernmental receipts	184,415
Miscellaneous Receipts	3,000
Proceeds of bonds	47,715
Debt service:	
Principal	(40,622)
Interest	(13,623)
Total nonoperating cash receipts/(disbursements)	180,885
Net cash receipts over cash disbursements	60,715
Cash fund balances, January 1, 2005	137,772
Cash fund balances, December 31, 2005	\$ 198,487

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, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
<b>Governmental:</b>												
General	\$ 60,115	\$ 790,258	\$ 850,373	\$ 682,940	\$ (107,318)	\$ 5,962	\$ 761,914	\$ 767,876	\$ 664,557	\$ 87,231	\$ 751,788	\$ 16,088
Special Revenue	121,161	384,237	505,398	357,707	(26,530)	11,129	254,274	265,403	381,188	-	381,188	(115,785)
<b>Proprietary:</b>												
Enterprise	140,415	390,582	530,997	546,161	155,579	28,492	528,599	557,091	485,446	-	485,446	71,645
<b>Total</b>												
(Memorandum Only)	\$ 321,691	\$ 1,565,077	\$ 1,886,768	\$ 1,586,808	\$ 21,731	\$ 45,583	\$ 1,544,787	\$ 1,590,370	\$ 1,531,191	\$ 87,231	\$ 1,618,422	\$ (28,052)

**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, 2004

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 78,517	\$ 80,683	\$ 159,200
Income Tax	129,244	-	129,244
Intergovernmental	29,773	40,856	70,629
Charges for services	3,935	-	3,935
Fines, licenses, and permits	785	-	785
Interest	1,425	244	1,669
Miscellaneous	388	-	388
Total cash receipts	<u>244,067</u>	<u>121,783</u>	<u>365,850</u>
Cash disbursements:			
Current:			
Security of persons and property	44,100	40,500	84,600
Basic utility services	11,295	-	11,295
Transportation	-	131,029	131,029
General government	128,807	5,245	134,052
Capital outlay	11,820	618	12,438
Debt service:			
Principal retirement	-	2,376	2,376
Interest	-	4,139	4,139
Total cash disbursements	<u>196,022</u>	<u>183,907</u>	<u>379,929</u>
Total cash receipts over/(under) cash disbursements	<u>48,045</u>	<u>(62,124)</u>	<u>(14,079)</u>
Other financing receipts/(disbursements):			
Operating transfers in	-	15,000	15,000
Operating transfers out	(34,000)	-	(34,000)
Advances in	-	16,650	16,650
Advances out	(16,650)	-	(16,650)
Total other financing receipts/(disbursements)	<u>(50,650)</u>	<u>31,650</u>	<u>(19,000)</u>
Excess of cash receipts and other financing receipts (under) cash disbursements and other financing disbursements	(2,605)	(30,474)	(33,079)
Cash fund balances, January 1, 2004	<u>92,079</u>	<u>102,281</u>	<u>194,360</u>
Cash fund balances, December 31, 2004	<u>\$ 89,474</u>	<u>\$ 71,807</u>	<u>\$ 161,281</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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 284,276
Total operating cash receipts	284,276
Operating cash disbursements:	
Personal services	57,903
Employee fringe benefits	19,187
Contractual services	105,366
Supplies and material	46,632
Capital outlay	41,754
Miscellaneous	17
Total operating cash disbursements	270,859
Operating income	13,417
Nonoperating cash receipts/(disbursements):	
Special assessments	55,534
Miscellaneous Receipts	75
Debt service:	
Principal	(40,997)
Interest	(13,682)
Total nonoperating cash receipts/(disbursements)	930
Income before operating transfers	14,347
Transfers in	19,000
Net cash receipts over cash disbursements	33,347
Cash fund balances, January 1, 2004	104,425
Cash fund balances, December 31, 2004	\$ 137,772

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, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 81,759	\$ 135,581	\$ 217,340	\$ 244,067	\$ 108,486	\$ 2,624	\$ 236,580	\$ 239,204	\$ 246,672	\$ 5,962	\$ 252,634	\$ (13,430)
Special Revenue	107,596	320,932	428,528	153,433	(167,499)	-	193,919	193,919	183,907	11,129	195,036	(1,117)
Proprietary:												
Enterprise	73,774	541,050	614,824	358,885	(182,165)	2,150	353,260	355,410	325,538	28,492	354,030	1,380
Total (Memorandum Only)	\$ 263,129	\$ 997,563	\$ 1,260,692	\$ 756,385	\$ (241,178)	\$ 4,774	\$ 783,759	\$ 788,533	\$ 756,117	\$ 45,583	\$ 801,700	\$ (13,167)

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**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 YEARS ENDED DECEMBER 31, 2005 AND 2004

**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 YEARS ENDED DECEMBER 31, 2005 AND 2004

**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 2005 and 2004.

*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 YEARS ENDED DECEMBER 31, 2005 AND 2004

**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 2005 and 2004.

*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, 2005 and 2004.

**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 \$3,349 and \$1,669 for the years ended December 31, 2005 and 2004, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

Capital 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 YEARS ENDED DECEMBER 31, 2005 AND 2004

**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 years ended December 31:

<u>2005</u>	<u>Excess</u>
<u>Fund Type/Fund</u>	
Enterprise Fund	
Sewer	\$ 34,507
<u>2004</u>	
<u>Fund Type/Fund</u>	
General Fund	19,240

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

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

<u>Fund Type/Fund</u>	<u>2005</u>	<u>2004</u>
<u>Special Revenue Funds</u>		
Street Construction Maintenance & Repair	\$ 95,659	\$ 5,034
FEMA	5,329	306

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:

	<u>2005</u>	<u>2004</u>
Deposits: Demand deposits	\$ 300,058	\$ 246,089
Investments: STAR Ohio	<u>54,612</u>	<u>52,964</u>
Total Cash and Cash Equivalents	<u>\$ 354,670</u>	<u>\$ 299,053</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 YEARS ENDED DECEMBER 31, 2005 AND 2004**

**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 administrated by the Village of Germantown. Tax receipts are credited to the Village's general fund and amounted to \$126,923, and \$129,244 in 2005 and 2004 respectively.

**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 YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 7 - DEBT OBLIGATIONS**

At December 31, 2005 and 2004, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/2005</u>	<u>Balance at 12/31/2004</u>
2005 US Bank bonds for various purposes due in annual installments of \$10,348 through 2015 bearing interest at 3.98%.	\$ 84,503	\$ -
2000 US Bank bonds for various purposes due in annual installments of \$13,679 through 2019 bearing interest at 6.56%.	122,845	128,119
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%.	128,386	140,820
1998 Ohio Public Works Commission (OPWC) note for water improvements, due in semi-annual installments of \$7,368 through 2018, bearing no interest.	184,213	198,949
1992 OPWC note for sewer improvements, due in semi-annual installments of \$3,175, due in 2012, bearing no interest.	<u>44,450</u>	<u>50,800</u>
Total	<u>\$ 564,397</u>	<u>\$ 518,688</u>

Transactions for the years ended December 31, 2005 and 2004 are summarized as follows:

	<u>Balance at 12/31/2004</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/2005</u>
Various Bonds - US Bank - 2005	\$ -	\$ 93,000	\$ (8,497)	\$ 84,503
Various Bonds - US Bank - 2000	128,119	-	(5,274)	122,845
Water Note - OWDA - 1998	140,820	-	(12,434)	128,386
Water Note - OPWC - 1998	198,949	-	(14,736)	184,213
Sewer Note - OPWC - 1992	<u>50,800</u>	<u>-</u>	<u>(6,350)</u>	<u>44,450</u>
Total Notes	<u>\$ 518,688</u>	<u>\$ 93,000</u>	<u>\$ (47,291)</u>	<u>\$ 564,397</u>

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	<u>Balance at 12/31/2003</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/2004</u>
Various Bonds - US Bank - 2000	\$ 133,069	\$ -	\$ (4,950)	\$ 128,119
Water Note - OWDA - 1998	158,157	-	(17,337)	140,820
Water Note - OPWC - 1998	213,685	-	(14,736)	198,949
Sewer Note - OPWC - 1992	<u>57,150</u>	<u>-</u>	<u>(6,350)</u>	<u>50,800</u>
Total Notes	<u>\$ 562,061</u>	<u>\$ -</u>	<u>\$ (43,373)</u>	<u>\$ 518,688</u>

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2005, are as follows:

<u>Year Ending December 31,</u>	<u>2000</u>		<u>1998</u>		<u>1998</u>	<u>1992</u>
	<u>Bonds - US Bank</u>		<u>Note - OWDA</u>		<u>Note - OPWC</u>	<u>Note - OPWC</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>
2006	\$ 5,620	\$ 8,059	\$ 12,786	\$ 7,618	\$ 14,736	\$ 6,350
2007	5,988	7,691	13,509	6,895	14,736	6,350
2008	6,381	7,298	14,274	6,130	14,736	6,350
2009	6,800	6,879	15,081	5,323	14,736	6,350
2010	7,246	6,433	15,935	4,469	14,736	6,350
2011-2015	44,016	24,379	56,801	24,815	73,680	12,700
2016-2019	<u>46,794</u>	<u>7,922</u>	<u>-</u>	<u>-</u>	<u>36,853</u>	<u>-</u>
TOTALS	<u>\$122,845</u>	<u>\$ 68,661</u>	<u>\$ 128,386</u>	<u>\$ 55,250</u>	<u>\$ 184,213</u>	<u>\$ 44,450</u>

<u>Year Ending December 31,</u>	<u>2005</u>		<u>Totals</u>	
	<u>Bonds - US Bank</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>		
2006	\$ 8,666	\$ 1,682	\$ 48,158	\$ 17,359
2007	8,839	1,509	49,422	16,095
2008	9,015	1,333	50,756	14,761
2009	9,194	1,154	52,161	13,356
2010	9,377	971	53,644	11,873
2011-2015	39,412	1,980	226,609	51,174
2016-2019	<u>-</u>	<u>-</u>	<u>83,647</u>	<u>7,922</u>
TOTALS	<u>\$ 84,503</u>	<u>\$ 8,629</u>	<u>\$ 564,397</u>	<u>\$ 132,540</u>



**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**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 2005 and 2004, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2005. As of December 31, 2005 the Village had paid all contributions required for 2005 and 2004.

**NOTE 9 - RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members"). Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with the generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Assets	\$ 5,402,167	\$ 6,685,522
Liabilities	<u>(1,871,123)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$ 3,531,044</u>	<u>\$ 4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 10 - INTERFUND TRANSACTIONS**

The Village had the following interfund transactions for the years ended December 31, 2005 and 2004:

<u>Fund Type/Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
<u>2005</u>		
General Fund	\$ 16,650	\$ -
<u>Special Revenue Fund</u>		
Street Lighting Assessment	-	16,650
Total	<u>\$ 16,650</u>	<u>\$ 16,650</u>

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Advances In</u>	<u>Advances Out</u>
<u>2004</u>				
General Fund	\$ -	\$ 34,000	\$ -	\$ 16,650
<u>Special Revenue Funds</u>				
Street Construction, Maintenance & Repair	15,000	-	-	-
Street Lighting Assessment	-	-	16,650	-
<u>Enterprise Fund</u>				
Water Fund	19,000	-	-	-
Total	<u>\$ 34,000</u>	<u>\$ 34,000</u>	<u>\$ 16,650</u>	<u>\$ 16,650</u>

All transfers and advances are allowable in accordance with Sections 5705.14, 5705.15, 5705.16 of the Ohio Revised Code.

**NOTE 11 - CONTINGENT LIABILITY**

LITIGATION

The Village is involved in litigation. The Village's management has agreed to pay an EPA penalty of \$8,000 and enter into a consent decree.

**NOTE 12 - SUBSEQUENT EVENT**

Effective as of September 25, 2006 Sharon Pinnick resigned as Clerk/Treasurer. Effective January 1, 2007 Amy Schenck was appointed as Fiscal Officer.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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, Montgomery County, Ohio, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 28, 2007, wherein we noted the Village of Farmersville followed accounting practices the Auditor of State prescribes or permits 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Farmersville 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 an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 other 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 February 28, 2007.

Members of Council and Mayor  
Village of Farmersville

Compliance and Other Matters

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, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-VOF-001, 2005-VOF-002 and 2005-VOF-003. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the Village of Farmersville in a separate letter dated February 28, 2007.

This report is intended solely 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
February 28, 2007

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2005-VOF-001

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 the total appropriations exceeded the total estimated resources in the following fund in fiscal years 2005 and 2004:

<u>2005</u>	<u>Excess</u>
<u>Fund Type/Fund</u>	
Enterprise Fund	
Sewer	\$ 34,507
<u>2004</u>	
<u>Fund Type/Fund</u>	
General Fund	19,240

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.

*Client Response:* The Village Fiscal Officer will attempt to notify the County Auditor more frequently during the year of increased or decreased revenues and will more closely review year end amended certificates and approved Council appropriations.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2005-VOF-002

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 years ended December 31 in the following funds:

<u>Fund Type/Fund</u>	<u>2005</u>	<u>2004</u>
<u>Special Revenue Funds</u>		
Street Construction Maintenance & Repair	\$ 95,659	\$ 5,034
FEMA	5,329	306

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.

Client Response: The Village Fiscal Officer will attempt to modify appropriations with Council approval more frequently throughout the year and will review year end budgets and disbursements for any potential non compliance.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2005-VOF-003

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and it is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit for the year ended December 31, 2004 that 21% of the expenditures tested were not certified in a timely manner and for the year ended December 31, 2005 that 41% of the expenditures tested were not certified in a timely manner.

Without timely certification, the Village may expend more funds than available in the treasury or in the process of collection, or than funds appropriated.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should consider using "Then" and "Now" certificates where applicable.

Client Response: The Village Fiscal Officer will attempt to utilize "Then" and "Now" certificates and blanket and super blanket certificates when applicable. In addition, Council will communicate to its employees this Ohio Revised Code Section.

**VILLAGE OF FARMERSVILLE  
MONTGOMERY COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

<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>
2003-VOF-001	Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.	No	Repeated in 2004 and 2005 as finding 2005-VOF-001.
2003-VOF-002	Ohio Revised Code Section 5705.41 (B) requires in part that no subdivision is to expend monies unless it has been appropriated.	No	Repeated in 2004 and 2005 as finding 2005-VOF-002.





**Mary Taylor, CPA**  
Auditor of State

**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  
MAY 22, 2007**