

VILLAGE OF WEST FARMINGTON

TRUMBULL COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2016 and 2015





Dave Yost • Auditor of State

Village Council
Village of West Farmington
251 4th St
West Farmington, OH 44491

We have reviewed the *Independent Auditor's Report* of the Village of West Farmington, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of West Farmington is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 28, 2017

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VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2016 and 2015

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of West Farmington
Trumbull County
P.O. Box 215
West Farmington, OH 44491

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 West Farmington, Trumbull County, (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to 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 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, 2016 and 2015, or changes in financial position or its cash flows thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During 2013, the Village improperly made advances from the Permissive Tax-Special Revenue fund to the Water-Enterprise fund in the amount of \$31,905 that are not allowed per Auditor of State Bulletin 97-003 and paid back \$1,905. In 2014, the Village improperly made advances of \$1,400 from the Permissive-Special Revenue fund and paid back \$16,074. The net effect of this activity is the Water-Enterprise fund is overstated by \$15,326 and the Permissive-Special Revenue fund is understated by the same amount. The Village declined to make these adjustments.

Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting*, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of the Village of West Farmington, Trumbull County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements 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 2, 2017, 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.



Charles E. Harris & Associates, Inc.
June 2, 2017

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 31,925	\$ 20,676	\$ 52,601
Intergovernmental	14,443	20,277	34,720
Special Assessments	-	7,342	7,342
Fines, Licenses and Permits	2,543	15,667	18,210
Earnings on Investments	1	30	31
Miscellaneous	697	14,731	15,428
<i>Total Cash Receipts</i>	49,609	78,723	128,332
Cash Disbursements			
Current:			
Security of Persons and Property	874	31,624	32,498
Leisure Time Activities	6,751	-	6,751
Basic Utility Services	1,064	-	1,064
Transportation	-	41,523	41,523
General Government	42,932	-	42,932
<i>Total Cash Disbursements</i>	51,621	73,147	124,768
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,012)	5,576	3,564
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	-	2,576	2,576
Advances In	8,091	1,291	9,382
Advances Out	(8,091)	(1,291)	(9,382)
<i>Total Other Financing Receipts (Disbursements)</i>	-	2,576	2,576
<i>Net Change in Fund Cash Balances</i>	(2,012)	8,152	6,140
<i>Fund Cash Balances, January 1</i>	4,277	125,630	129,907
Fund Cash Balances, December 31			
Restricted	-	133,782	133,782
Assigned	552	-	552
Unassigned	1,713	-	1,713
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,265</u>	<u>\$ 133,782</u>	<u>\$ 136,047</u>

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

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

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

	Proprietary Fund Types Enterprise
Operating Cash Receipts	
Charges for Services	\$ 219,766
<i>Total Operating Cash Receipts</i>	219,766
Operating Cash Disbursements	
Personal Services	123,088
Fringe Benefits	26,786
Contractual Services	38,778
Supplies and Materials	10,188
Other	1,110
<i>Total Operating Cash Disbursements</i>	199,950
<i>Operating Income (Loss)</i>	19,816
Non-Operating Receipts (Disbursements)	
Earnings on Investments	2
Miscellaneous	2,824
Capital Outlay	(5,470)
Principal Retirement	(9,454)
Interest and Other Fiscal Charges	(4,851)
<i>Total Non-Operating Receipts (Disbursements)</i>	(16,949)
<i>Income (Loss) before Transfers and Advances</i>	2,867
Transfers In	20,358
Transfers Out	(20,358)
Advances In	6,800
Advances Out	(6,800)
<i>Net Change in Fund Cash Balance</i>	2,867
<i>Fund Cash Balances, January 1</i>	18,184
<i>Fund Cash Balances, December 31</i>	\$ 21,051

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

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 32,606	\$ 17,436	\$ 50,042
Intergovernmental	12,402	22,331	34,733
Special Assessments	-	3,650	3,650
Fines, Licenses and Permits	5,394	10,400	15,794
Earnings on Investments	9	14	23
Miscellaneous	1,858	847	2,705
<i>Total Cash Receipts</i>	<u>52,269</u>	<u>54,678</u>	<u>106,947</u>
Cash Disbursements			
Current:			
Security of Persons and Property	600	24,362	24,962
Leisure Time Activities	7,678	117	7,795
Transportation	-	5,558	5,558
General Government	52,216	-	52,216
<i>Total Cash Disbursements</i>	<u>60,494</u>	<u>30,037</u>	<u>90,531</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(8,225)	24,641	16,416
Other Financing Receipts (Disbursements)			
Transfers In	-	6,148	6,148
Transfers Out	(9,148)	-	(9,148)
Advances In	1,767	2,369	4,136
Advances Out	(1,691)	(2,369)	(4,060)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(9,072)</u>	<u>6,148</u>	<u>(2,924)</u>
<i>Net Change in Fund Cash Balances</i>	(17,297)	30,789	13,492
<i>Fund Cash Balances, January 1 - Restated</i>	<u>21,574</u>	<u>94,841</u>	<u>116,415</u>
Fund Cash Balances, December 31			
Restricted	-	125,630	125,630
Assigned	880	-	880
Unassigned	3,397	-	3,397
<i>Fund Cash Balances, December 31</i>	<u>\$ 4,277</u>	<u>\$ 125,630</u>	<u>\$ 129,907</u>

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

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 233,266
<i>Total Operating Cash Receipts</i>	<u>233,266</u>
Operating Cash Disbursements	
Personal Services	113,607
Fringe Benefits	20,853
Contractual Services	79,035
Supplies and Materials	13,250
Other	819
<i>Total Operating Cash Disbursements</i>	<u>227,564</u>
<i>Operating Income (Loss)</i>	5,702
Non-Operating Receipts (Disbursements)	
Earnings on Investments	6
Other Debt Proceeds	292,885
Miscellaneous	5,670
Capital Outlay	(275,240)
Principal Retirement	(33,028)
Interest and Other Fiscal Charges	(6,415)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(16,122)</u>
<i>Income (Loss) before Transfers and Advances</i>	(10,420)
Transfers In	52,995
Transfers Out	(49,995)
Advances In	1,378
Advances Out	(1,454)
<i>Net Change in Fund Cash Balance</i>	<u>(7,496)</u>
<i>Fund Cash Balances, January 1</i>	<u>25,680</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 18,184</u>

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

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 1 - Reporting Entity

The Village of West Farmington (the Village), Trumbull 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 utilities, park and recreation operations, police services, street lighting, and street repair and maintenance.

Public Entity Risk Pools

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Permissive Motor Vehicle License Tax The permissive motor vehicle license tax fund accounts for permissive motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Special Revenue The police special revenue fund receives property tax money to pay for the general operation of the police department.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

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.

Enterprise Debt Service Sinking Fund The enterprise debt service sinking fund receives money from the water operating fund for the purpose of providing resources to retire the Village's debt related to the water plant.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless 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. Council may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriate budget in the General Fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

The Village applies restricted resources first when disbursements 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 disbursements 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 years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,353	\$57,700	\$3,347
Special Revenue	53,366	82,590	29,224
Enterprise	249,749	249,750	1

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$58,624	\$60,264	(\$1,640)
Special Revenue	178,996	74,880	104,116
Enterprise	267,833	249,619	18,214

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,138	\$54,036	(\$9,102)
Special Revenue	55,826	63,195	7,369
Enterprise	729,778	584,822	(144,956)

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$84,652	\$72,213	\$12,439
Special Revenue	121,536	32,406	89,130
Enterprise	741,839	592,242	149,597

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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 at December 31 was as follows:

	<u>2016</u>	<u>2015</u>
Demand deposits	<u>\$157,098</u>	<u>\$148,091</u>

Deposits

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

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.

Note 6 – Interfund Balances

Advances

Outstanding advances at December 31, 2016, consisted of \$15,326 advanced to water operating funds to provide working capital for operations.

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.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 7 - Risk Management (continued)

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.

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

At December 31, 2016 the liabilities above include approximately \$12 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>
\$15,953

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.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

One of the Village’s Council Members contributes 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, 2016.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Cap Project Loan 1977 (91-05)	\$3,500	5.00%
USDA Cap Project Loan 1999 (91-08)	58,300	4.75%
USDA Cap Project Loan 2003 (91-11)	23,700	4.25%
OWDA Loan # 5240 (2009)	321,210	0.00%
OWDA Loan # 6162 (2012)	34,952	1.50%
ODOT SIB Loan (PID90188) (2015)	12,600	3.00%
	<u>\$454,262</u>	

The USDA Rural Development Temporary Mortgage Revenue Loans (Cap Project) were issued for the purpose of financing the cost of improvements to the Village water system. The loan will be repaid until the year 2040. The Village had established a debt service sinking fund and debt service reserve fund in compliance with debt covenants associated with these loans. Water receipts collateralize the loans.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 10 – Debt (continued)

The Ohio Development Authority Loan # 5240 was entered into to finance the design and construction of wastewater collection and treatment system. The project was started in 2009 and \$321,210 of the estimated \$470,500 loan amount had been drawn. This loan will be repaid in semi-annual installments over ten years at 0.00% interest. The amortization schedule will be finalized when the project is completed. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirement.

The Ohio Development Authority Loan # 6162 was entered into to finance the water treatment plant emergency repairs. The project was completed in 2012. This loan will be repaid in semi-annual installments over twenty years at 1.5% interest. The Village had established a debt service sinking fund and debt service reserve fund in compliance with debt covenants associated with these loans. Water receipts collateralize the loan.

The Ohio Department of Transportation State Infrastructure Bank 2015 loan was entered into to finance the relocation of 700 feet of water line in connection with a bridge replacement performed by the Ohio Department of Transportation. The project was completed in 2016. The loan will be repaid in semi-annual installments over eight years at 1.5% interest. The Village had established a debt service sinking fund and debt service reserve fund in compliance with debt covenants associated with these loans. Water receipts collateralize the loans.

Amortization

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

Year ending	USDA	USDA	USDA	OWDA	ODOT
December 31:	91-05	91-08	91-11	#6162	2014
2017	\$ 3,675	\$ 4,169	\$ 4,007	\$ 2,399	\$ 378
2018		4,303	3,980	2,399	1,837
2019		4,127	3,948	2,399	1,837
2020		4,256	4,012	2,399	1,837
2021		4,275	3,968	2,399	1,837
2022-2026		21,044	7,980	11,996	7,347
2027-2031		21,112		11,996	
2032-2036		21,102		3,599	
2036-2041		12,716			
Total	\$ 3,675	\$ 97,103	\$ 27,895	\$ 39,587	\$ 15,072

Note 11 – Contingent Liabilities

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

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 12 – Prior Period Adjustment

Voided checks caused the following restatement to the prior year fund balance:

	<u>General Fund</u>
Fund cash balance, December 31, 2014	\$21,534
Adjustments	40
Fund Cash Balance January 1, 2015	<u>\$21,574</u>

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of West Farmington
Trumbull County
P.O. Box 215
West Farmington, OH 44491

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 West Farmington, Trumbull County (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 2, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also issued an adverse opinion on these financial statements due to management declining to post an adjustment pertaining to improper advances made in previous years.

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 opinions 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 a 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 2016-001 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*.

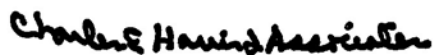
We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 2, 2017.

Entity's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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 communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
June 2, 2017

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2016 and 2015**

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

Finding Number 2016-001 - Material Weakness

During 2016 and 2015, the Village erroneously recorded numerous transactions. The more significant adjustments are as follows:

- General fund had fund balance incorrectly classified as Unassigned instead of Assigned as required by Government Accounting Standards Board Statement No. 54.
- Did not record ODOT SIB Loan thus understanding capital outlay and proceeds of loan.
- Did not record OWDA direct payments to vendors thus understanding capital outlay and proceeds of loan.
- Recorded the sale of capital asset as miscellaneous receipts.
- Recorded loan proceeds as Intergovernmental receipts.
- Recorded several miscellaneous transactions as special items and/or extraordinary items.
- Recorded various refunds as intergovernmental receipts instead of miscellaneous receipts.
- Recorded refunds in the enterprise fund as miscellaneous operating instead of non-operating.

Adjustments were made in the accompanying financial statements and the Village records.

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

We recommend that the Village refer to the Village Officer's Handbook, UAN accounting manual, GASB 54 and AOS guidance to properly classify its transactions. We also recommend the Fiscal Officer review all reports compiled by UAN to ensure their accuracy.

Management Response:

See Corrective Action Plan.

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2016 and 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness: Improper recording of transactions	Not corrected	Repeated as finding 2016-001
2014-002	Significant deficiency: Overtime and Comp time approval	Corrective action taken and finding is fully corrected	
2014-003	Noncompliance: 5705.41(D) Purchase orders	Partially Corrected	Moved to management letter
2014-004	Material weakness: Improper advances	Not Corrected	Advances not paid back

VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY

CORRECTIVE ACTION PLAN
For the Years Ended December 31, 2016 and 2015

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Management will implement additional procedures to ensure these issues will be corrected going forward.	Immediately	Tom Shay, Clerk/Treasurer



Dave Yost • Auditor of State

VILLAGE OF WEST FARMINGTON

TRUMBULL 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
OCTOBER 10, 2017