



**FARMINGTON TOWNSHIP
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FARMINGTON TOWNSHIP
TRUMBULL COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Farmington Township
Trumbull County
P.O. Box 81
Farmington, Ohio 44491

To the Board of Trustees:

We have audited the accompanying financial statements of Farmington Township (the Township) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

March 15, 2002

**FARMINGTON TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$29,928	\$82,822	\$11,511		\$124,261
Licenses, Permits, and Fees		7,990			7,990
Intergovernmental	45,874	68,017	1,464		115,355
Earnings on Investments	2,477	237			2,714
Other Revenue	6,820	6,303			13,123
Total Cash Receipts	<u>85,099</u>	<u>165,369</u>	<u>12,975</u>		<u>263,443</u>
Cash Disbursements:					
Current:					
General Government	53,942	5,080			59,022
Public Safety		28,387			28,387
Public Works	1,110	90,255			91,365
Health	3,891	15,606			19,497
Conservation - Recreation	1,418				1,418
Debt Service:					
Redemption of Principal			5,000		5,000
Interest and Fiscal Charges			7,250		7,250
Capital Outlay	17,250	26,661		41,965	85,876
Total Cash Disbursements	<u>77,611</u>	<u>165,989</u>	<u>12,250</u>	<u>41,965</u>	<u>297,815</u>
Total Receipts Over/(Under) Disbursements	<u>7,488</u>	<u>(620)</u>	<u>725</u>	<u>(41,965)</u>	<u>(34,372)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,488	(620)	725	(41,965)	(34,372)
Fund Cash Balances, January 1, 2001	50,705	61,427	13,083	41,965	167,180
Fund Cash Balances, December 31, 2001	<u>\$58,193</u>	<u>\$60,807</u>	<u>\$13,808</u>		<u>\$132,808</u>
Reserve for Encumbrances, December 31, 2001		\$1,450			\$1,450

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

**FARMINGTON TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$28,477	\$70,203	\$16,298		\$114,978
Licenses, Permits, and Fees		8,880			8,880
Intergovernmental	46,527	66,491	1,553	70,988	185,559
Earnings on Investments	2,994	253			3,247
Other Revenue	6,334	10,494			16,828
Total Cash Receipts	<u>84,332</u>	<u>156,321</u>	<u>17,851</u>	<u>70,988</u>	<u>329,492</u>
Cash Disbursements:					
Current:					
General Government	51,555	2,478			54,033
Public Safety		25,115			25,115
Public Works	925	89,514			90,439
Health	7,458	14,833			22,291
Conservation - Recreation	1,041				1,041
Redemption of Principal			9,500		9,500
Interest and Fiscal Charges			7,723		7,723
Capital Outlay	23,554	27,456		29,023	80,033
Total Cash Disbursements	<u>84,533</u>	<u>159,396</u>	<u>17,223</u>	<u>29,023</u>	<u>290,175</u>
Total Receipts Over/(Under) Disbursements	<u>(201)</u>	<u>(3,075)</u>	<u>628</u>	<u>41,965</u>	<u>39,317</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(201)	(3,075)	628	41,965	39,317
Fund Cash Balances, January 1, 2000	50,906	64,502	12,455		127,863
Fund Cash Balances, December 31, 2000	<u><u>\$50,705</u></u>	<u><u>\$61,427</u></u>	<u><u>\$13,083</u></u>	<u><u>\$41,965</u></u>	<u><u>\$167,180</u></u>
Reserve for Encumbrances, December 31, 2000				\$35,913	\$35,913

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

**FARMINGTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Farmington Township, Trumbull County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection.

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

Fire District - This fund receives property tax money to for the general operation of the fire department.

Road and Bridge - This fund receives property tax money for the constructing, maintaining and repairing Township roads and bridges.

**FARMINGTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bond and note indebtedness. The Township has the following significant Debt Service Fund:

General Bond Retirement Fund: This fund accounts for debt related to the construction of the Fire Station Addition and for the purchase of a Fire Truck.

4. Capital Projects Funds

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

Permanent Improvement Fund: This fund accounts for the addition of the senior center.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**FARMINGTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant and Equipment

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2000	2001
Demand deposits	\$167,180	\$132,808

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,651	\$85,099	\$11,448
Special Revenue	161,503	165,369	3,866
Debt Service	12,889	12,975	86
Capital Projects	0	0	0
Total	\$248,043	\$263,443	\$15,400

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,000	\$77,611	\$46,389
Special Revenue	221,000	167,439	53,561
Debt Service	13,000	12,250	750
Capital Projects	41,965	41,965	0
Total	\$399,965	\$299,265	\$100,700

**FARMINGTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND DECEMBER 31, 2000
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,771	\$84,332	\$4,561
Special Revenue	157,900	156,321	(1,579)
Debt Service	15,388	17,851	2,463
Capital Project	70,989	70,988	(1)
Total	<u>\$324,048</u>	<u>\$329,492</u>	<u>\$5,444</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,677	\$84,533	\$31,144
Special Revenue	218,650	159,396	59,254
Debt Service	20,000	17,223	2,777
Capital Projects	70,939	64,936	6,003
Total	<u>\$425,266</u>	<u>\$326,088</u>	<u>\$99,178</u>

4. PROPERTY TAX

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

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 Township.

**FARMINGTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND DECEMBER 31, 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$95,000	7.25%

The general obligation bonds were issued to finance the addition to the Fire Station and is collateralized solely by the Township's taxing authority.

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

Year ending December 31:	Fire Station Addition
2002	\$16,887
2003	16,162
2004	15,437
2005	14,712
2006	13,987
2007 – 2010	53,702
Total	\$130,887

6. RETIREMENT SYSTEMS

The Township's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

Farmington Township
Trumbull County
P.O. Box 81
Farmington, Ohio 44491

To the Board of Trustees:

We have audited the accompanying financial statements of Farmington Township (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated March 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 15, 2002.

Farmington Township
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 15, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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FARMINGTON TOWNSHIP

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
APRIL 2, 2002**