

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

Financial Statements
(Audited)

For The Year Ended
December 31, 2006

AMY SCHENCK, FISCAL OFFICER



Mary Taylor, CPA

Auditor of State

Members of Council
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 & Grube, Inc., for the audit period January 1, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 9, 2007

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**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Village of Farmersville, (the "Village"), Montgomery County, Ohio, as of and for the year ended December 31, 2006. 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 year ended December 31, 2006. Instead of the combined funds the accompanying financial statements present for 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006. 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 year ended December 31, 2006 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, 2006, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Village of Farmersville
Independent Auditor's Report
Page Two

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, 2006, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements for the year then ended on the basis of accounting described in Note 2.

The aforementioned revision to generally accepted accounting principles also requires the Village of Farmersville to include Management's Discussion and Analysis for the year ended December 31, 2006. 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 July 12, 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." with a stylized flourish at the end.

Julian & Grube, Inc.
July 12, 2007

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2006

<u>Cash and Cash Equivalents</u>	<u>2006</u>
Cash and Cash Equivalents	\$ 252,975
Total Cash and Cash Equivalents	<u>\$ 252,975</u>
 <u>Cash Fund Balances</u>	
<u>Governmental Fund Types:</u>	
General Fund	\$ 10,737
Special Revenue Funds	<u>66,085</u>
Total Governmental Fund Types	<u>76,822</u>
 <u>Proprietary Fund Type:</u>	
Enterprise Funds	<u>176,153</u>
Total Proprietary Fund Type	<u>176,153</u>
Total Cash Fund Balances	<u>\$ 252,975</u>

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

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 77,512	\$ 95,767	\$ -	\$ 173,279
Income Tax	144,305	-	-	144,305
Intergovernmental	269,798	48,223	397,347	715,368
Special assessments	-	21,474	-	21,474
Charges for services	3,893	-	-	3,893
Fines, licenses, and permits	355	-	-	355
Interest	4,314	154	-	4,468
Miscellaneous	3,572	2,123	-	5,695
Total cash receipts	<u>503,749</u>	<u>167,741</u>	<u>397,347</u>	<u>1,068,837</u>
Cash disbursements:				
Current:				
Security of persons and property	38,233	68,588	-	106,821
Transportation	-	81,426	-	81,426
General government	164,041	-	-	164,041
Capital outlay	261,344	13,465	504,598	779,407
Debt service:				
Principal retirement	-	11,100	-	11,100
Interest	-	5,403	-	5,403
Total cash disbursements	<u>463,618</u>	<u>179,982</u>	<u>504,598</u>	<u>1,148,198</u>
Total cash receipts (under) cash disbursements	<u>40,131</u>	<u>(12,241)</u>	<u>(107,251)</u>	<u>(79,361)</u>
Other financing receipts/(disbursements):				
Operating transfers in	-	30,000	107,251	137,251
Operating transfers out	(137,251)	-	-	(137,251)
Total other financing receipts/(disbursements)	<u>(137,251)</u>	<u>30,000</u>	<u>107,251</u>	<u>-</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(97,120)	17,759	-	(79,361)
Cash fund balances, January 1, 2006	<u>107,857</u>	<u>48,326</u>	<u>-</u>	<u>156,183</u>
Cash fund balances, December 31, 2006	<u>\$ 10,737</u>	<u>\$ 66,085</u>	<u>\$ -</u>	<u>\$ 76,822</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, 2006

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 325,738
Total operating cash receipts	325,738
Operating cash disbursements:	
Personal services	51,156
Employee fringe benefits	20,410
Contractual services	135,102
Supplies and material	66,936
Capital Outlay	19,064
Miscellaneous	172
Total operating cash disbursements	292,840
Operating income	32,898
Nonoperating cash receipts/(disbursements):	
Miscellaneous receipts	4,138
Debt service:	
Principal	(46,249)
Interest	(13,121)
Total nonoperating cash receipts/(disbursements)	(55,232)
Net cash receipts (under) cash disbursements	(22,334)
Cash fund balances, January 1, 2006	198,487
Cash fund balances, December 31, 2006	\$ 176,153

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, 2006

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 130,661	\$ 517,180	\$ 647,841	\$ 503,749	\$ (13,431)	\$ 87,231	\$ 584,748	\$ 671,979	\$ 600,869	\$ -	\$ 600,869	\$ 71,110
Special Revenue	41,794	215,169	256,963	197,741	(17,428)	-	231,484	231,484	179,982	-	179,982	51,502
Capital Projects	-	498,710	498,710	504,598	5,888	-	498,710	498,710	504,598	-	504,598	(5,888)
Proprietary:												
Enterprise	181,667	305,193	486,860	329,876	24,683	-	381,401	381,401	352,210	-	352,210	29,191
Total												
(Memorandum Only)	\$ 354,122	\$ 1,536,252	\$ 1,890,374	\$ 1,535,964	\$ (288)	\$ 87,231	\$ 1,696,343	\$ 1,783,574	\$ 1,637,659	\$ -	\$ 1,637,659	\$ 145,915

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

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

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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.

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 funds). The Village had the following significant capital project fund in 2006:

Walnut Street Phase II Project Fund - This fund received grants from Ohio Public Works Commission to help reconstruct the Village's Walnut Street.

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.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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. 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 2006.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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 finds 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.

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 2006.

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. There were no outstanding encumbrances at December 31, 2006.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

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 \$4,468 for the year ended December 31, 2006.

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.

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.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 - COMPLIANCE

A. In noncompliance with Ohio Revised Code Section 5705.41(B), the following fund had expenditures in excess of appropriations for the year ended December 31, 2006:

<u>Fund Type/Fund/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Capital Project Fund</u>			
Walnut Street Phase II			
Capital Outlay	\$ 498,710	\$ 504,598	\$ 5,888

B. The Village did not certify expenditures in a timely manner for the year ended December 31, 2006 in noncompliance with Ohio Revised Code Section 5705.41(D).

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>2006</u>
Deposits: Demand deposits	\$ 195,638
Investments: STAR Ohio	<u>57,337</u>
Total Cash and Cash Equivalents	<u>\$ 252,975</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.

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 \$144,305.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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.

NOTE 7 - DEBT OBLIGATIONS

At December 31, 2006, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/2006</u>
2005 US Bank bonds for various purposes due in annual installments of \$10,348 through 2010 bearing interest at 3.98%.	\$ 66,998
2000 US Bank bonds for various purposes due in annual installments of \$13,679 through 2019 bearing interest at 6.56%.	117,225
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%.	115,248
1998 Ohio Public Works Commission (OPWC) note for water improvements, due in semi-annual installments of \$7,368 through 2018, bearing no interest.	169,477
1992 OPWC note for sewer improvements, due in semi-annual installments of \$3,175, due in 2012, bearing no interest.	<u>38,100</u>
Total	<u>\$ 507,048</u>

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 7 - DEBT OBLIGATIONS - (Continued)

Transactions for the year ended December 31, 2006 are summarized as follows:

	<u>Balance at</u> <u>12/31/2005</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/2006</u>
Various Bonds - US Bank - 2005	\$ 84,503	\$ -	\$ (17,505)	\$ 66,998
Various Bonds - US Bank - 2000	122,845	-	(5,620)	117,225
Water Note - OWDA - 1998	128,386	-	(13,138)	115,248
Water Note - OPWC - 1998	184,213	-	(14,736)	169,477
Sewer Note - OPWC - 1992	<u>44,450</u>	<u>-</u>	<u>(6,350)</u>	<u>38,100</u>
Total Notes	<u>\$ 564,397</u>	<u>\$ -</u>	<u>\$ (57,349)</u>	<u>\$ 507,048</u>

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2006, are as follows:

<u>Year Ending</u> <u>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>
2007	\$ 5,988	\$ 7,691	\$ 6,940	\$ 3,261	\$ 14,736	\$ 6,350
2008	6,381	7,298	14,273	6,131	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	7,721	5,957	16,837	3,567	14,736	6,350
2012-2016	46,902	21,551	46,182	4,827	73,680	6,350
2017-2019	<u>36,187</u>	<u>4,848</u>	<u>-</u>	<u>-</u>	<u>22,117</u>	<u>-</u>
TOTALS	<u>\$ 117,225</u>	<u>\$ 60,657</u>	<u>\$ 115,248</u>	<u>\$ 27,578</u>	<u>\$ 169,477</u>	<u>\$ 38,100</u>

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 7 - DEBT OBLIGATIONS - (Continued)

Year Ending December 31,	2005		Totals	
	Bonds - US Bank		Principal	Interest
	Principal	Interest		
2007	\$ 18,209	\$ 2,487	\$ 52,223	\$ 13,439
2008	18,941	1,755	60,681	15,184
2009	19,702	994	62,669	13,196
2010	10,146	202	54,413	11,104
2011	-	-	45,644	9,524
2012-2016	-	-	173,114	26,378
2017-2019	-	-	58,304	4,848
TOTALS	\$ 66,998	\$ 5,438	\$ 507,048	\$ 93,673

NOTE 8 - RETIREMENT SYSTEM

The Village’s salaried employees belong to the Ohio Public Employees Retirement System (OPERS). 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 2006, OPERS members contributed 9.0% of their gross salaries. The Village contributed an amount equal to 13.70% of participants’ gross salaries for 2006. At December 31, 2006, amounts for the year ended 2006 have been paid.

NOTE 9 - RISK MANAGEMENT

Risk Pool Membership

The Government 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.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 - RISK MANAGEMENT - (Continued)

The Plan provides property, liability, errors and omissions, law enforcement, automobile, excessive liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgements, 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 or 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 generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006:

	2006
Assets	\$ 30,997,868
Liabilities	(15,875,741)
Members' Equity	\$ 15,122,127

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

NOTE 10 - INTERFUND TRANSACTIONS

The Village had the following interfund transactions for the year ended December 31, 2006:

Fund Type/Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ (137,251)
<u>Special Revenue Fund</u>		
Street Construction, Maintenance and Repair	30,000	-
<u>Capital Project Fund</u>		
Walnut Street Phase II fund	107,251	-
Total	\$ 137,251	\$ (137,251)

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 10 - INTERFUND TRANSACTIONS - (Continued)

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 paid an EPA penalty of \$7,000 and agreed to pay an additional penalty of \$7,000 within one year. Other than the noted above, the Village is not currently involved in litigation that the Village's legal counsel anticipates a loss.

NOTE 12 - SUBSEQUENT EVENT

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, (the “Village”), Montgomery County, Ohio, as of and for the year ended December 31, 2006, and have issued our report thereon dated July 12, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 the *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’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Members of Council and Mayor
Village of Farmersville

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider 2006-VOF-003 and 2006-VOF-004 as deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above we consider items 2006-VOF-003 and 2006-VOF-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2006-VOF-001 and 2006-VOF-002.

We noted certain matters that we reported to the management of the Village of Farmersville in a separate letter dated July 12, 2007.

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Village's response and, accordingly, we express no opinion on them.

Members of Council and Mayor
Village of Farmersville

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.
July 12, 2007

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2006-VOF-001

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

Due to the Village Fiscal Officer not appropriating for a OPWC pass-through payment, the Village had disbursements in excess of appropriations in the following fund:

<u>Fund Type/Fund/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Capital Project Fund</u>			
<u>Walnut Street Phase II</u>			
Capital Outlay	\$ 498,710	\$ 504,598	\$ 5,888

With disbursements exceeding appropriations, the Village is spending monies that have not been lawfully appropriated by Village Council. This may result in unnecessary spending.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Village Council will attempt to pass amended appropriations in a timely manner for all pass-through payments in accordance with the Ohio Revised Code.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
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Finding Number	2006-VOF-002
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement 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 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 that the Village incurred expenditures in which 60% of invoices tested were dated prior to the respective purchase order as certified by the Fiscal Officer, thus causing those expenditures tested not to be certified in a timely manner.

Without timely certification and evidence of approved permanent appropriations of which such certifications were drawn on, the Village may expend more funds than available in the treasury, in the process of collection or than funds appropriated by the Village Council, which could potentially lead to negative fund balances. In addition, the Village may make unnecessary purchases.

We recommend that the Village Fiscal Officer timely certify its disbursements based on approved permanent appropriations, to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then and Now" certificates where applicable.

Client Response: The Fiscal Officer will attempt to certify Clerk Certificates in a more timely manner based on approved permanent appropriations.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
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Finding Number	2006-VOF-003
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Significant Deficiency - Monitoring Controls

Appropriate financial reports were not provided to the Village Council to provide effective monitoring over financial operations.

The Village Council should monitor the financial operations of the Village regularly. Such monitoring should include review of budget versus actual data, detailed receipt reports, detailed expenditure reports and cash journals.

Monitoring should be performed to ensure that management’s objectives are being achieved, including operational, legal compliance, and financial control objectives. Effective monitoring should entail identifying unexpected results or exceptions (including significant compliance exceptions), investigating underlying causes, and taking corrective action.

To assist management in detecting potential material financial and/or compliance transactions that may affect financial operations, we recommend the Village Council become more involved in the review and monitoring of the Village financial operations. Some of the methods of monitoring may consist of, but may not be limited to, the following:

- Regular review of monthly budget to actual figures;
- Regular review of financial report summaries of sufficient detail (monthly detailed receipts, expenditures, and fund balance reports and their respective fluctuations);
- Review of receipts/expenditures with independently accumulated information (budgets, past performance, etc.);
- Review of all expenditures;
- Review of unusual or significant items, long outstanding items, and;
- Review of monthly bank reconciliations.

Client Response: The Fiscal Officer will attempt to consolidate data to present on a monthly basis to the Village Council, along with supporting detailed information.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-VOF-004

During the course of our audit, we identified a number of material misstatements in the financial statements for the year under audit that were not initially identified by the Village's internal control. The audit adjustments were necessary to correct errors in the Village's financial statements. A description of each material adjustment follows:

Transfers - Audit adjustments were necessary to correct reimbursements between funds which were reported as transfers in the financial statements. The transfers in were overstated in the Street fund by \$37,383 and the transfers out of the Walnut Street Phase I Project fund were overstated \$37,383.

Grants - Audit adjustments were necessary to correct on behalf payments made for the Village by OPWC. Intergovernmental revenue and capital outlay were understated in the Walnut Street Phase I Project fund by \$15,473.

Debt Payments - Audit adjustments were necessary to reallocate debt service payments to more accurately reflect where the money was received. Debt service was understated in the Street fund and Sewer fund by \$2,840 and \$4,789, respectively. Also debt service was overstated in the Water fund by \$7,629.

Debt Service - Audit adjustments were necessary to reclass debt service payments between principal and interest, due to the Village recording principal payments as interest payments on their books. Debt service principal was understated and debt service interest was overstated in the Street fund, Water fund and Sewer fund by \$11,100, \$29,724 and \$16,525, respectively.

Client Response: Management concurs with the finding and will attempt to record transactions properly in accordance with guidance provided by the UAN manual.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-VOF-001	Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.	Yes	N/A
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.	No	Repeated as finding 2006-VOF-001.
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.	No	Repeated as finding 2006-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
NOVEMBER 8, 2007**