



Mary Taylor, CPA
Auditor of State

VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Farmington, Trumbull County, (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Farmington, Trumbull County, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gas Tax Fund, and Permissive Motor Vehicle License Tax Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2008, 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. 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*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 28, 2008

Village of West Farmington, Trumbull County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Village of West Farmington's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$3,400, or 2 percent, an insignificant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2005.

The Village's general receipts are primarily property taxes and intergovernmental receipts. These receipts represent respectively 41 and 12 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as there was not much building or other activity which added to the tax base on which property taxes are calculated.

The water operation, the Village's only business-type activity, showed operating income for the year, but this was offset by debt service charges and charges required to be set aside in the debt service reserve fund.

The Village agreed to lease its water plant to Aqua Ohio in 2004. The Village retains ownership of the plant. Aqua Ohio will provide the Village with technical expertise in complying with EPA standards and upgrading the Village's water distribution system. Aqua Ohio also took over the billing process for the Village.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of West Farmington, Trumbull County
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Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Village's transactions are divided into two types of activities:

Governmental activities: Most of the Village's basic services are reported here, including police protection, streets and parks and recreation. State and federal grants or loans and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity: The Village has one business-type activity, the provision of water service. Business-type activities are financed by charges to the customers receiving the service.

Village of West Farmington, Trumbull County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Gas Tax Fund and Permissive Motor Vehicle License Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three major enterprise funds, the Water Fund, Debt Service Sinking Fund and Debt Service Reserve Fund.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalents	\$151,853	\$155,253	\$21,313	\$14,748	\$173,166	\$170,001
Net Assets						
Restricted for:						
Debt Service			\$14,311	\$11,726	\$14,311	\$11,726
Street Lighting	\$14,047	\$14,100			14,047	
Capital Projects			76	82	76	82
Security of Persons and Property	14,950	6,339				
Transportation Projects	105,290	87,376			105,290	87,376
Unrestricted	17,566	47,438	6,926	2,940	24,492	50,378
Total Net Assets	\$151,853	\$155,253	\$21,313	\$14,748	\$158,216	\$149,562

As mentioned previously, net assets of governmental activities increased \$3,400 or 2 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- A small increase in local tax receipts occurred. The General Fund provided support for police protection and parks and recreation.

Village of West Farmington, Trumbull County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2005 and 2004 for governmental activities, business-type activities and total primary government.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$8,673	\$34,345	\$190,831	\$137,132	\$199,504	\$171,477
Operating Grants and Contributions	26,696				26,696	
Capital Grants and Contributions				33,485		33,485
Total Program Receipts	<u>35,369</u>	<u>34,345</u>	<u>190,831</u>	<u>170,617</u>	<u>226,200</u>	<u>204,962</u>
General Receipts:						
Property Taxes	43,975	44,209			43,975	44,209
Other Taxes and Fees	5,666	6,275			5,666	6,275
Court Fines		3,895				3,895
Grants and Entitlements Not Restricted to Specific Programs	12,649	11,593	9,410		22,059	11,593
Loan Proceeds				45,395		45,395
Interest	370	403	355	69	725	472
Miscellaneous	8,303	5,236	38,844	6,836	47,147	12,072
Total General Receipts	<u>70,963</u>	<u>71,611</u>	<u>48,609</u>	<u>52,300</u>	<u>119,572</u>	<u>123,911</u>
Total Receipts	<u>106,332</u>	<u>105,956</u>	<u>239,440</u>	<u>222,917</u>	<u>345,772</u>	<u>328,873</u>
Disbursements:						
General Government	49,747	41,886			49,747	41,886
Security of Persons and Property:	17,012	16,815			17,012	16,815
Leisure Time Activities	9,498	10,582			9,498	10,582
Transportation	13,032	21,606			13,032	21,606
Capital Outlay	3,275	1,383			3,275	1,383
Water			147,705	121,461	147,705	121,461
Debt Service			92,675	51,191	92,675	51,191
Water Plant Construction			9,663	78,880	9,663	78,880
Total Disbursements	<u>92,564</u>	<u>92,272</u>	<u>250,043</u>	<u>251,532</u>	<u>342,607</u>	<u>343,804</u>
Excess (Deficiency) Before Transfers	13,768	13,684	(10,603)	(28,615)	3,165	(14,931)
Transfers	<u>(17,168)</u>	<u>(17,168)</u>	<u>17,168</u>	<u>17,168</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	(3,400)	(3,484)	6,565	(11,447)	3,165	(14,931)
Net Assets, January 1, 2005	155,253	158,737	14,748	26,195	170,001	184,932
Net Assets, December 31, 2005	<u>\$151,853</u>	<u>\$155,253</u>	<u>\$21,313</u>	<u>\$14,748</u>	<u>\$173,166</u>	<u>\$170,001</u>

Program receipts represent only 65 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and water utility charges for services.

General receipts represent 35 percent of the Village's total receipts, and of this amount, over 41 percent are local taxes. State and federal grants and entitlements, earnings on investments and miscellaneous make up the balance of the Village's general receipts.

Village of West Farmington, Trumbull County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the Clerk/Treasurer, Mayor and other Village officials. The Village charges all payroll processing costs and accounting charges to the General Fund for all Village employees and officials.

Security of Persons and Property are the costs of police protection and street lighting; Leisure Time Activities are the costs of maintaining the Village's public areas and playing field. Transportation is the cost of maintaining the Village roads.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, security of persons and property, and transportation, which account for 86 percent of all governmental disbursements. General Government itself represents a significant cost, about 54 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
General Government	\$49,747	\$44,717	\$41,886	\$41,711
Security of Persons and Property	17,012	17,012	16,815	16,815
Leisure Time Activities	9,498	9,498	10,582	10,582
Transportation	13,032	(17,307)	21,606	(12,564)
Capital Outlay	3,275	3,275	1,383	1,383
Total Expenses	\$92,564	\$57,195	\$92,272	\$57,927

The dependence upon general receipts is apparent as over 62 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water operation of the Village is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major upgrades and repairs and how these will be funded. The Village is in contact with the Ohio EPA regarding any improvements that may be necessary to satisfy new water quality standards. The Village has leased the water plant to Aqua Ohio in order to further upgrade and improve the water system.

Village of West Farmington, Trumbull County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Village's Funds

Total governmental funds had receipts of \$106,332 and disbursements of \$92,564. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$29,872 as a result of funds needed to maintain the debt service reserve fund at its required level.

General Fund receipts were less than disbursements by \$29,872 indicating that the General Fund is in a deficit spending situation. The Mayor and Clerk/Treasurer have been working to cut Village expenditures wherever possible since the opportunities for increasing revenue are limited.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village did not amend its General Fund budget. Final budgeted receipts were very close to the estimates and the difference between final budgeted receipts and actual receipts was not significant. The largest difference was the line item in which Fines, Licenses and Permits are recorded, which includes receipts from the court.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure for accounting purposes. The Village does however, for insurance purposes, maintain a listing of its major capital assets, particularly the water treatment plant and water tower, which are its major capital assets.

Debt

At December 31, 2005, the Village's outstanding debt included \$359,841 in USDA & OWDA loans issued for the Village's water plant and water tower. For further information regarding the Village's debt, refer to the debt note in the notes to the basic financial statements.

Current Issues

The challenge for all governments, is to provide quality services to the public while staying within the restrictions imposed by or limited, and in some cases, a shrink in funding. The Village relies heavily on local taxes and has very little industry to support the tax base. The Village was anticipating a general fund deficit as soon as 2007. Expenditures were reduced wherever possible. The Village is also subject to numerous EPA mandates which may require equipment upgrades, hiring of personnel with advanced certifications, and water processing standards.

The Village had been attempting to have a waste water treatment plant and sanitary sewers installed. They were not able to meet the cost per person standards required by EPA constraints.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jacqueline Mitton, Clerk-Treasurer, P.O.Box 215, West Farmington, Ohio 44491.

Village of West Farmington, Trumbull County
Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash	\$151,853	\$21,313	\$173,166
Total Assets	\$151,853	\$21,313	\$173,166
Net Assets			
Restricted for:			
Capital Projects		\$76	\$76
Debt Service		14,311	14,311
Street Lighting	\$14,047		14,047
Security of Persons and Property	14,950		14,950
Transportation Projects	105,290		105,290
Unrestricted	17,566	6,926	24,492
Total Net Assets	\$151,853	\$21,313	\$173,166

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

Village of West Farmington, Trumbull County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Security of Persons and Property	\$17,012	\$8,673		(\$8,339)		(\$8,339)
Leisure Time Activities	9,498			(9,498)		(9,498)
Transportation	13,032		\$26,696	13,664		13,664
General Government	49,747			(49,747)		(49,747)
Capital Outlay	3,275			(3,275)		(3,275)
<i>Total Governmental Activities</i>	92,564	8,673	26,696	(57,195)	0	(57,195)
Business Type Activities						
Water	147,705	190,831			43,126	43,126
Debt Service	92,675				(92,675)	(92,675)
Water Plant Construction	9,663				(9,663)	(9,663)
<i>Total Business Type Activities</i>	250,043	190,831	0	0	(59,212)	(59,212)
<i>Total Primary Government</i>	<u>342,607</u>	<u>199,504</u>	<u>26,696</u>	(57,195)	(59,212)	(116,407)
General Receipts						
Property Taxes				38,801		38,801
Permissive Motor Vehicle License Tax				5,666		5,666
Grants and Entitlements Not Restricted to Specific Programs				17,824	9,410	27,234
Earnings on Investments				370	355	725
Miscellaneous				8,302	38,844	47,146
<i>Total General Receipts</i>				70,963	48,609	119,572
Transfers				(17,168)	17,168	0
<i>Total General Receipts and Transfers</i>				53,795	65,777	119,572
Change in Net Assets				(3,400)	6,565	3,165
<i>Net Assets Beginning of Year</i>				155,253	14,748	170,001
<i>Net Assets End of Year</i>				<u>\$151,853</u>	<u>\$21,313</u>	<u>\$173,166</u>

See accompanying notes to the basic financial statements

Village of West Farmington, Trumbull County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Gas Tax	Permissive Motor Vehicle License	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash	\$17,566	\$57,041	\$48,249	\$28,997	\$151,853
Total Assets	\$17,566	\$57,041	\$48,249	\$28,997	\$151,853
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$125	\$181		\$250	\$556
Unreserved:					
Undesignated (Deficit),					
Reported in:					
General Fund	17,441				17,441
Special Revenue Funds		56,860	48,249	28,747	133,856
Total Fund Balances	\$17,566	\$57,041	\$48,249	\$28,997	\$151,853

See accompanying notes to the basic financial statements

Village of West Farmington, Trumbull County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Gas Tax	Permissive Motor Vehicle License	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$29,905		\$5,666	\$8,896	\$44,467
Intergovernmental	16,636	\$24,694		3,190	44,520
Special Assessments				3,643	3,643
Fines, Licenses and Permits	8,093				8,093
Earnings on Investments	223	126		21	370
Miscellaneous	569	460		4,210	5,239
Total Receipts	55,426	25,280	5,666	19,960	106,332
Disbursements					
Current:					
Security of Persons and Property				17,012	17,012
Leisure Time Activities	9,010			488	9,498
Transportation		13,032			13,032
General Government	49,704			43	49,747
Capital Outlay	3,275				3,275
Total Disbursements	61,989	13,032	0	17,543	92,564
Excess of Receipts Over (Under) Disbursements	(6,563)	12,248	5,666	2,417	13,768
Other Financing Sources (Uses)					
Transfers In				6,141	6,141
Transfers Out	(23,309)				(23,309)
Advances In	306	4,792		3,254	8,352
Advances Out	(306)	(4,792)		(3,254)	(8,352)
Total Other Financing Sources (Uses)	(23,309)	0	0	6,141	(17,168)
Net Change in Fund Balances	(29,872)	12,248	5,666	8,558	(3,400)
Fund Balances Beginning of Year	47,438	44,793	42,583	20,439	155,253
Fund Balances End of Year	\$17,566	\$57,041	\$48,249	\$28,997	\$151,853

See accompanying notes to the basic financial statements

Village of West Farmington, Trumbull County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$30,457	\$30,457	\$29,905	(\$552)
Intergovernmental	16,050	16,050	16,636	586
Fines, Licenses and Permits	6,630	6,630	8,093	1,463
Earnings on Investments	275	275	223	(52)
Miscellaneous	1,200	1,200	569	(631)
Total receipts	54,612	54,612	55,426	814
Disbursements				
Current:				
Leisure Time Activities	11,526	11,526	9,010	2,516
General Government	46,238	46,238	49,704	(3,466)
Capital Outlay	8,000	8,000	3,400	4,600
Total Disbursements	65,764	65,764	62,114	3,650
Excess of Receipts Over (Under) Disbursements	(11,152)	(11,152)	(6,688)	4,464
Other Financing Sources (Uses)				
Transfers Out	(22,488)	(22,488)	(23,309)	(821)
Advances In			306	306
Advances Out			(306)	(306)
Other Financing Uses	(5,000)	(5,000)		5,000
Total Other Financing Sources (Uses)	(27,488)	(27,488)	(23,309)	4,179
Net Change in Fund Balance	(38,640)	(38,640)	(29,997)	8,643
Fund Balance Beginning of Year	47,002	47,002	47,002	0
Prior Year Encumbrances Appropriated	436	436	436	0
Fund Balance End of Year	\$8,798	\$8,798	\$17,441	\$8,643

See accompanying notes to the basic financial statements

Village of West Farmington, Trumbull County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gas Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$26,000	\$26,000	\$24,694	(\$1,306)
Earnings on Investments	100	100	126	26
Miscellaneous	100	100	460	360
Total Receipts	26,200	26,200	25,280	(920)
Disbursements				
Current:				
Transportation	40,738	40,738	13,213	27,525
Capital Outlay	5,000	5,000		5,000
Total Disbursements	45,738	45,738	13,213	32,525
Excess of Receipts Over (Under) Disbursements	(19,538)	(19,538)	12,067	31,605
Other Financing Sources (Uses)				
Advances In			4,792	4,792
Advances Out			(4,792)	(4,792)
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	(19,538)	(19,538)	12,067	31,605
Fund Balance Beginning of Year	44,793	44,793	44,793	0
Fund Balance End of Year	\$25,255	\$25,255	\$56,860	\$31,605

See accompanying notes to the basic financial statements

Village of West Farmington, Trumbull County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Permissive Motor Vehicle License Tax
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$6,500	\$6,500	\$5,666	(\$834)
Total Receipts	6,500	6,500	5,666	(834)
Disbursements				
Current:				
Transportation	5,200	5,200		5,200
Total Disbursements	5,200	5,200	0	5,200
Excess of Receipts Over (Under) Disbursements	1,300	1,300	5,666	4,366
Net Change in Fund Balance	1,300	1,300	5,666	4,366
Fund Balance Beginning of Year	42,583	42,583	42,583	0
Fund Balance End of Year	\$43,883	\$43,883	\$48,249	\$4,366

See accompanying notes to the basic financial statements

Village of West Farmington, Trumbull County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2005

Business Type Activities - Enterprise Funds					
	Water Operating	Debt Service Sinking Fund	Debt Service Reserve Fund	Other Enterprise Funds	Total Enterprise Funds
Assets					
Equity in Pooled Cash	\$6,926	\$2,710	\$11,601	\$76	\$21,313
Total Assets	<u>\$6,926</u>	<u>\$2,710</u>	<u>\$11,601</u>	<u>\$76</u>	<u>\$21,313</u>
Net Assets					
Restricted for:					
Capital Projects				\$76	\$76
Debt Service		\$2,710	\$11,601		14,311
Unrestricted	\$6,926				6,926
Total Net Assets	<u>\$6,926</u>	<u>\$2,710</u>	<u>\$11,601</u>	<u>\$76</u>	<u>\$21,313</u>

See accompanying notes to the basic financial statements

Village of West Farmington, Trumbull County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2008*

	Water Operating	Debt Service Sinking Fund	Debt Service Reserve Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts					
Charges for Services	\$190,831				\$190,831
Other Operating Receipts		\$3,300	\$35,544		38,844
<i>Total Operating Receipts</i>	<u>190,831</u>	<u>3,300</u>	<u>35,544</u>	<u>0</u>	<u>229,675</u>
Operating Disbursements					
Personal Services	26,404				26,404
Employee Fringe Benefits	7,102				7,102
Contractual Services	92,754	247		9,141	102,142
Supplies and Materials	0			269	269
Other	21,445			6	21,451
<i>Total Operating Disbursements</i>	<u>147,705</u>	<u>247</u>	<u>0</u>	<u>9,416</u>	<u>157,368</u>
<i>Operating Income (Loss)</i>	<u>43,126</u>	<u>3,053</u>	<u>35,544</u>	<u>(9,416)</u>	<u>72,307</u>
Non-Operating Receipts (Disbursements)					
Intergovernmental				9,410	9,410
Earnings on Investments	4	324	27		355
Principal Payments			(19,200)	(16,241)	(35,441)
Interest and Fiscal Charges	(39,144)		(17,163)	(927)	(57,234)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(39,140)</u>	<u>324</u>	<u>(36,336)</u>	<u>(7,758)</u>	<u>(82,910)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>3,986</u>	<u>3,377</u>	<u>(792)</u>	<u>(17,174)</u>	<u>(10,603)</u>
Transfers In				17,168	17,168
Advances In				1,538	1,538
Advances Out				(1,538)	(1,538)
<i>Change in Net Assets</i>	<u>3,986</u>	<u>3,377</u>	<u>(792)</u>	<u>(6)</u>	<u>6,565</u>
<i>Net Assets Beginning of Year</i>	<u>2,940</u>	<u>8,224</u>	<u>3,502</u>	<u>82</u>	<u>14,748</u>
<i>Net Assets End of Year</i>	<u>\$6,926</u>	<u>\$11,601</u>	<u>\$2,710</u>	<u>\$76</u>	<u>\$21,313</u>

See accompanying notes to the basic financial statements

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Note 1 – Reporting Entity

The Village of West Farmington, Trumbull County, Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term.

The reporting entity is comprised of the primary government.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water service, maintenance of Village roads and bridges, park operations, and police services.

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Note 2 – Summary of Significant Accounting Policies – (Continued)

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are General Fund, Gas Tax Fund and Permissive Motor Vehicle License Tax Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The other major governmental funds of the Village account for intergovernmental receipts received from the State or the County based on gas tax revenue or license registrations.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Fund, Debt Service Sinking Fund, and Debt Service Reserve Fund.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Debt Service Sinking Fund – This fund receives money from water operations to repay loans to the United States Department of Agriculture (USDA) and the Ohio Water Development Authority (OWDA).

Debt Service Reserve Fund – This fund receives money from water operations to finance future capital improvements.

Note 2 – Summary of Significant Accounting Policies – (Continued)

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council. There were no amendments in 2005.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year. There were no amendments in 2005.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. During 2005, the Village had no investments but maintained all deposits in interest bearing checking accounts.

Interest earnings are allocated to Village funds according to State statutes, grant or loan requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 equaled \$223.

Note 2 – Summary of Significant Accounting Policies – (Continued)

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure are reported at inception.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 2 – Summary of Significant Accounting Policies – (Continued)

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gas Tax Fund and Permissive Motor Vehicle License Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$125 for the General Fund and \$181 for the Gas Tax Fund.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Note 4 – Deposits and Investments – (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. The Village had no investments during 2005.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$75,770 of the Village's bank balance of \$175,770 was exposed to custodial risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Note 5 – Property Taxes – (Continued)

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$11.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential and Agricultural	\$5,147,940
Other	445,230
Public Utility Property	
Personal	233,760
Tangible Personal Property	105,844
	<hr/>
	\$5,932,774
	<hr/> <hr/>

Note 6 – 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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, up to \$10,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Note 6 – Risk Management – (Continued)

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$18,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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.

Note 6 – Risk Management – (Continued)

<u>Contributions to PEP</u>	
2003	\$8,822
2004	\$9,263
2005	\$9,702

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of 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 the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$11,934, \$11,350, and \$11,835 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

Note 8 - Postemployment Benefits – (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$3,352. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 9 – Debt

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Business-type Activities</u>						
OWDA Loan - 2000	3.20%	\$28,582		\$16,241	\$12,341	\$12,341
1977 USDA Mortgage Revenue Loans	5.00%	243,400		15,900	227,500	28,375
1999 USDA Mortgage Revenue Loan	4.75%	72,000		1,500	70,500	4,187
2003 USDA Mortgage Revenue Loan	4.25%	51,300		1,800	49,500	4,004
		<u>\$395,282</u>		<u>\$35,441</u>	<u>\$359,841</u>	<u>\$48,907</u>

Village of West Farmington – Trumbull County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 9 – Debt – (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments over the next two years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The USDA Rural Development Temporary Mortgage Revenue Bonds were obtained for the purpose of paying for the costs of constructing improvements to the Village's water system. The loan will be repaid over the next 35 years. The Village has established a debt service sinking fund and debt service reserve fund in compliance with the debt covenants associated with these loans.

The following is a summary of the Village's future annual debt service requirements:

Year	1977 Mortgage Revenue Loan		1999 Mortgage Revenue Bonds		2003 Mortgage Revenue Bonds		OWDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$17,000	\$11,375	\$800	\$3,387	\$1,900	\$2,104	\$12,341	\$551
2007	18,100	10,525	900	3,349	2,000	2,023		
2008	19,300	9,620	1,000	3,311	2,000	1,938		
2009	20,400	8,655	1,000	3,268	2,200	1,853		
2010	21,500	7,635	1,100	3,220	2,200	1,760		
2011 - 2015	124,400	20,935	6,000	15,338	12,600	7,302		
2016 - 2020	6,800	515	7,600	13,832	15,600	4,378		
2021 - 2025			9,600	11,937	11,000	948		
2026 - 2030			12,200	9,543				
2031 - 2035			15,200	6,517				
2036 - 2040			15,100	2,708				
Totals	\$227,500	\$69,260	\$70,500	\$76,410	\$49,500	\$22,306	\$12,341	\$551

Note 10 – Interfund Transfers

During 2005, the following transfers were made:

Transfers from the General Fund to:		
	Governmental Fund - Parks & Recreation	\$200
	Governmental Fund - Police Levy Fund	5,941
	Business-Type Fund - Sewer - Waste Water Treatment	17,168
	Total Transfers from General Fund	\$23,309

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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, Ohio 44491

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Farmington, Trumbull County, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 28, 2008 wherein we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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, providing an opinion 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*.

Village of West Farmington
Trumbull County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 28, 2008



Mary Taylor, CPA
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
DECEMBER 24, 2008