

VILLAGE OF WEST FARMINGTON

TRUMBULL COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2014 and 2013





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of West Farmington, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

During 2013 and 2014, the Village made various advances to assist in the operations of the water plant, which were not in accordance with Auditor of State Bulletin 1997-003. Auditor of State Bulletin 1997-003 sets requirements for entities regarding advances. One requirement is that "In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established." In addition, Ohio Revised Code Section 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established.

In 2013, the Village improperly made advances from their Permissive Motor Vehicle License Tax Fund to their Water Fund in the amount of \$31,905 and paid back \$1,905. In 2014, the Village improperly made advances of \$1,400 from the Permissive Motor Vehicle License Tax Fund to their Water Fund and paid back \$16,074. The net effect of this activity is the Water Fund balance is overstated by \$15,326 and the Permissive Motor Vehicle License Tax Fund balance is understated by the same amount. The Village has declined to make these fund balance adjustments.

In accordance with the foregoing facts a finding for adjustment is hereby issued against the Village Water Fund for \$15,326 for the outstanding balance of improper advances made during 2013 and 2014 and should be returned to the Village's Permissive Motor Vehicle License Tax Fund.

Village Council
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P.O. Box 215
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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of West Farmington is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

October 30, 2015

VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of West Farmington, Trumbull County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

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

Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting*, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of the Village of West Farmington, Trumbull County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 15, 2015

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 42,967	\$ 17,306	\$ 60,273
Intergovernmental	9,977	22,904	32,881
Special Assessments	-	4,137	4,137
Fines, Licenses and Permits	10,777	-	10,777
Earnings on Investments	11	10	21
Miscellaneous	1,238	2,225	3,463
<i>Total Cash Receipts</i>	<u>64,970</u>	<u>46,582</u>	<u>111,552</u>
Cash Disbursements			
Current:			
Security of Persons and Property	-	31,382	31,382
Leisure Time Activities	11,169	298	11,467
Transportation	-	12,124	12,124
General Government	51,284	1,200	52,484
<i>Total Cash Disbursements</i>	<u>62,453</u>	<u>45,004</u>	<u>107,457</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	2,517	1,578	4,095
Other Financing Receipts (Disbursements)			
Transfers In	-	11,243	11,243
Transfers Out	(11,243)	-	(11,243)
Advances In	5,459	16,074	21,533
Advances Out	(5,535)	(1,400)	(6,935)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(11,319)</u>	<u>25,917</u>	<u>14,598</u>
<i>Net Change in Fund Cash Balances</i>	(8,802)	27,495	18,693
<i>Fund Cash Balances, January 1</i>	<u>30,336</u>	<u>67,346</u>	<u>97,682</u>
Fund Cash Balances, December 31			
Restricted	-	94,841	94,841
Unassigned	21,534	-	21,534
<i>Fund Cash Balances, December 31</i>	<u>\$ 21,534</u>	<u>\$ 94,841</u>	<u>\$ 116,375</u>

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

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 222,935
Miscellaneous	2,803
	225,738
 Operating Cash Disbursements	
Personal Services	96,485
Fringe Benefits	16,908
Contractual Services	34,076
Supplies and Materials	16,829
Other	528
	164,826
<i>Total Operating Cash Disbursements</i>	<i>164,826</i>
 <i>Operating Income (Loss)</i>	 <i>60,912</i>
 Non-Operating Receipts (Disbursements)	
Earnings on Investments	5
Other Debt Proceeds	30,321
Capital Outlay	(30,397)
Principal Retirement	(31,699)
Interest and Other Fiscal Charges	(7,915)
	(39,685)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(39,685)</i>
 <i>Income (Loss) before Transfers and Advances</i>	 <i>21,227</i>
Transfers In	5,485
Transfers Out	(5,485)
Advances In	6,935
Advances Out	(21,533)
	(21,533)
 <i>Net Change in Fund Cash Balance</i>	 <i>6,629</i>
 <i>Fund Cash Balances, January 1</i>	 <i>19,051</i>
	<i>19,051</i>
 <i>Fund Cash Balances, December 31</i>	 <i>\$ 25,680</i>
	<i>25,680</i>

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

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 29,063	\$ 13,248	\$ 42,311
Intergovernmental	55,899	22,868	78,767
Special Assessments	-	3,490	3,490
Fines, Licenses and Permits	12,741	-	12,741
Earnings on Investments	15	9	24
Miscellaneous	1,433	2,168	3,601
<i>Total Cash Receipts</i>	99,151	41,783	140,934
Cash Disbursements			
Current:			
Security of Persons and Property	-	32,395	32,395
Leisure Time Activities	10,364	401	10,765
Transportation	-	14,567	14,567
General Government	51,265	-	51,265
<i>Total Cash Disbursements</i>	61,629	47,363	108,992
<i>Excess of Receipts Over (Under) Disbursements</i>	37,522	(5,580)	31,942
Other Financing Receipts (Disbursements)			
Transfers In	-	15,093	15,093
Transfers Out	(15,093)	-	(15,093)
Advances In	-	1,905	1,905
Advances Out	-	(31,905)	(31,905)
<i>Total Other Financing Receipts (Disbursements)</i>	(15,093)	(14,907)	(30,000)
<i>Net Change in Fund Cash Balances</i>	22,429	(20,487)	1,942
<i>Fund Cash Balances, January 1</i>	7,907	87,833	95,740
Fund Cash Balances, December 31			
Restricted	-	67,346	67,346
Unassigned	30,336	-	30,336
<i>Fund Cash Balances, December 31</i>	<u>\$ 30,336</u>	<u>\$ 67,346</u>	<u>\$ 97,682</u>

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

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 204,173
Miscellaneous	1,691
	205,864
Operating Cash Disbursements	
Personal Services	109,973
Fringe Benefits	20,623
Contractual Services	34,786
Supplies and Materials	24,387
Other	630
	190,399
<i>Total Operating Cash Receipts</i>	205,864
<i>Total Operating Cash Disbursements</i>	190,399
<i>Operating Income (Loss)</i>	15,465
Non-Operating Receipts (Disbursements)	
Earnings on Investments	5
Other Debt Proceeds	10,604
Capital Outlay	(10,704)
Principal Retirement	(29,590)
Interest and Other Fiscal Charges	(9,037)
	(38,722)
<i>Total Non-Operating Receipts (Disbursements)</i>	(38,722)
<i>Income (Loss) before Transfers</i>	(23,257)
Transfers In	800
Transfers Out	(800)
Advances In	31,905
Advances Out	(1,905)
	6,743
<i>Net Change in Fund Cash Balance</i>	6,743
<i>Fund Cash Balances, January 1</i>	12,308
<i>Fund Cash Balances, December 31</i>	\$ 19,051

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

**Village of West Farmington
Trumbull County
Notes to the Financial Statements
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of West Farmington, Trumbull County, (the Village) as a body corporate and politic. A publicly-elected six member Council directs the Village. The Village provides water utilities, park and recreation operations, police services, street lighting, and street repair and maintenance.

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**Village of West Farmington
Trumbull County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police Fund - This fund receives money from property tax and from fines and forfeitures to provide police protection for Village residents.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried forward to the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**Village of West Farmington
Trumbull County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, ordinance or by State Statute.

5. Unassigned

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

**Village of West Farmington
Trumbull County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies (continued)

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2014	2013
Demand deposits	\$142,055	\$116,733

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$93,600	\$79,231	\$14,369
Special Revenue	143,462	46,404	97,058
Enterprise	488,981	261,855	227,126

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,264	\$70,429	\$7,165
Special Revenue	78,778	73,899	(4,879)
Enterprise	479,724	268,484	(211,240)

**Village of West Farmington
Trumbull County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

3. Budgetary Activity (continued)

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$126,631	\$76,722	\$49,909
Special Revenue	126,914	79,268	47,646
Enterprise	495,062	242,435	252,627

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,977	\$99,151	(\$19,826)
Special Revenue	58,957	58,781	(176)
Enterprise	472,172	249,178	(222,994)

Contrary to Ohio Revised Code section 5705.41(D), the Village had numerous certifications of purchases after the purchase of goods/services or invoice dates.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Trumbull County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
USDA Cap Project Loan 1975 (91-01)	\$17,000	5.00%
USDA Cap Project Loan 1976 (91-03)	7,000	5.00%
USDA Cap Project Loan 1977 (91-05)	10,000	5.00%
USDA Cap Project Loan 1999 (91-08)	61,000	4.75%
USDA Cap Project Loan 2003 (91-11)	29,300	4.25%
OWDA Loan # 5240 (2009)	40,925	0.00%
OWDA Loan # 6162 (2012)	38,634	1.50%
Total	<u>\$203,859</u>	

**Village of West Farmington
Trumbull County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

5. Debt (continued)

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

The Ohio Development Authority Loan # 5240 was entered into to finance the design and construction of wastewater collection and treatment system. The project was started in 2009 and \$40,925 of the estimated \$470,500 loan amount has been drawn. This loan will be repaid in semi-annual installments over ten years at 0.0% interest. The amortization schedule will be finalized when the project is completed. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements

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

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

Year ending December 31:	USDA 91-01	USDA 91-03	USDA 91-05	USDA 91-08	USDA 91-11	OWDA # 6162
2015	\$ 17,850	\$ 7,350	\$ 3,700	\$ 4,197	\$ 3,945	\$ 2,399
2016	-	-	3,640	4,236	4,031	2,399
2017	-	-	3,675	4,169	4,007	2,399
2018	-	-	-	4,303	3,980	2,399
2019	-	-	-	4,127	3,948	2,399
2020-2024	-	-	-	21,137	15,960	11,997
2025-2029	-	-	-	21,143	-	11,997
2030-2034	-	-	-	21,117	-	8,397
2035-2039	-	-	-	21,107	-	-
Total	<u>\$ 17,850</u>	<u>\$ 7,350</u>	<u>\$ 11,015</u>	<u>\$ 105,536</u>	<u>\$ 35,871</u>	<u>\$ 44,386</u>

6. Retirement Systems

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

For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**Village of West Farmington
Trumbull County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

7. Risk Pool Membership

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$10,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**Village of West Farmington
Trumbull County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

7. Risk Pool Membership (continued)

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$14,047	\$14,698

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Contingent Liability / Subsequent Events

Management believes there are no pending claims or lawsuits.

9. Advances

During 2013 and 2014, the Village made various transfers and advances to subsidize operations and to provide for expenditures. Advances in 2013 and 2014 were made to assist in the operations of the water plant, which were not in accordance with Audit Bulletin 1997-003. Transfers were made in accordance with the Ohio Revised Code.

10. Related Party Transactions

In 2013, the Village made payments of \$2,710 to a company owned by the former mayor for grass cutting services.

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

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of West Farmington, Trumbull County (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 15, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2014-001 and 2014-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 15, 2015.

Entity's Responses to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
July 15, 2015

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2014 and 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2014-001 - Material Weakness

During 2014 and 2013, the Village erroneously recorded numerous transactions. The more significant adjustments are as follows:

- License tax receipts were recorded as Municipal Income Tax receipts
- Recorded loan proceeds as Intergovernmental receipts
- Recorded several miscellaneous transactions as special items and/or extraordinary items
- Recorded capital outlay payments as contractual services
- Recorded purchase of supplies for the water plant as capital outlay

Adjustments were made in the financial statements and Village records.

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

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

Management Response:

See response after finding 2014-004.

Finding Number 2014-002 - Significant Deficiency

Overtime approval, Comp time

The Village has internal control procedures in place for the processing of employees' payrolls and timesheets. Some of these procedures include prior managerial approval of overtime and comp time on timesheets to be signed by the employee and the department head. We noted no vacation and sick leave policy.

During review of timesheets, we noted no prior managerial approval on any overtime and comp time incurred and used by the WTP Superintendent during both 2013 and part of 2014. We also noted no tracking of vacation or sick leave. The Village cannot verify the amount of time paid to some employees and how much paid time was used for vacation, sick or comp time. This matter has been communicated to the Auditor of State for further review.

Failure to maintain controls over the approval of overtime beginning with the notations of when, where, and why employees' additional work outside of normal business hours should be undertaken and making sure that the additional work was appropriately approved by a supervisor can lead to errors and excessive payment without management and Council being aware. Also, failure to track vacation, sick and comp time could lead to employees being paid for work not performed.

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS - continued
December 31, 2014 and 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2014-002 - Significant Deficiency (continued)

We recommend that the Village spell out terms and conditions of employment in writing including comp time, flex time, leave usage and accrual, etc. and adopt proper procedures to document those items. The Finance Department's Office should determine the appropriate form to use for payroll as required by the Village's Handbook and review for appropriate managerial approval of overtime prior to processing payroll. In addition, we recommend the Finance department maintain all original documents for payroll transactions.

Management Response:

See response after finding 2014-004.

Finding Number 2014-003 – Noncompliance

Ohio Rev. Code 5705.41(D) – Purchase Orders

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS - continued
December 31, 2014 and 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2014-003 – Noncompliance (continued)

3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2014 and 2013, 21% of purchase orders tested were not certified by the Village Clerk prior to incurring the obligation. The transactions had no evidence of the above mentioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability.

Management Response:

See response after finding 2014-004.

Finding Number 2014-004 – Material weakness

Auditor of State Bulletin 97-003 sets requirements for entities regarding advances. One requirement is that “In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.” During both 2013 and 2014, the Permissive Tax fund advanced money to the General fund, Police fund and the Water fund which were not in accordance with the Audit Bulletin. The General and Police fund advances were paid back in the same year and have been reversed in the accompanying financial statements. The Water fund advances were not reversed in the accompanying financial statements and this matter has been forwarded to the Auditor of State for further consideration.

We recommend that the Village only advance money from funds with statutory authority to use the money in the receiving fund.

Management Response:

The above findings were caused by prior management. New management has implemented procedures to ensure these issues will be corrected going forward.



Dave Yost • Auditor of State

VILLAGE OF WEST FARMINGTON

TRUMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 12, 2015**