



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY
DECEMBER 31, 2021-2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of West Farmington
Trumbull County
251 4th Street
PO Box 215
West Farmington, Ohio 44491

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of West Farmington, Trumbull County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position or, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Keith Faber
Auditor of State
Columbus, Ohio

January 31, 2025

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WEST FARMINGTON VILLAGE, TRUMBULL COUNTY
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022

| | <u>General</u> | <u>Special Revenue</u> | <u>Total (Memorandum Only)</u> |
|---|------------------------|------------------------|--|
| Cash Receipts | | | |
| Property and Other Taxes | \$24,625 | \$19,694 | \$44,319 |
| Intergovernmental | 27,389 | 65,116 | 92,505 |
| Special Assessments | | 8,499 | 8,499 |
| Fines, Licenses and Permits | 4,397 | 2,210 | 6,607 |
| Earnings on Investments | 289 | 65 | 354 |
| Miscellaneous | 3,646 | 297 | 3,943 |
| <i>Total Cash Receipts</i> | <u>60,346</u> | <u>95,881</u> | <u>156,227</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons & Property | 687 | 20,005 | 20,692 |
| Leisure Time Activities | 7,807 | 207 | 8,014 |
| Transportation | | 45,136 | 45,136 |
| General Government | 51,200 | 25,380 | 76,580 |
| Capital Outlay | 600 | 0 | 600 |
| <i>Total Cash Disbursements</i> | <u>60,294</u> | <u>90,728</u> | <u>151,022</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>52</u> | <u>5,153</u> | <u>5,205</u> |
| Other Financing Receipts (Disbursements) | | | |
| Transfers In | 1,500 | 1,500 | 3,000 |
| Transfers Out | (1,500) | (3,246) | (4,746) |
| Advances In | 2,000 | 2,400 | 4,400 |
| Advances Out | (2,400) | (2,000) | (4,400) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(400)</u> | <u>(1,346)</u> | <u>(1,746)</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(348)</u> | <u>3,807</u> | <u>3,459</u> |
| <i>Fund Cash Balances, January 1</i> | <u>\$24,556</u> | <u>\$46,329</u> | <u>\$70,885</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$24,208</u></u> | <u><u>\$50,136</u></u> | <u><u>\$74,344</u></u> |

See accompanying notes to the financial statements

WEST FARMINGTON VILLAGE, TRUMBULL COUNTY
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2022

| | <u>Enterprise</u> |
|---|-------------------------|
| Operating Cash Receipts | |
| Charges for Services | \$221,366 |
| <i>Total Operating Cash Receipts</i> | <u>221,366</u> |
| Operating Cash Disbursements | |
| Personal Services | 21,318 |
| Fringe Benefits | 3,377 |
| Contractual Services | 219,423 |
| Supplies and Materials | 20,839 |
| Other | 91,827 |
| <i>Total Operating Cash Disbursements</i> | <u>356,784</u> |
| <i>Operating Income (Loss)</i> | <u>(135,418)</u> |
| Non-Operating Receipts (Disbursements) | |
| Intergovernmental Receipts | 129,111 |
| Special Assessments | 185,889 |
| Earnings on Investments (proprietary funds only) | 6 |
| Loans Issued | 1,797,347 |
| Capital Outlay | (1,924,255) |
| Principal Retirement | (14,220) |
| Interest and Other Fiscal Charges | (645) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>173,233</u> |
| <i>Income (Loss) before Capital Contributions,</i> | 37,815 |
| Transfers In | 14,959 |
| Transfers Out | (13,213) |
| <i>Net Change in Fund Cash Balance</i> | <u>39,561</u> |
| <i>Fund Cash Balances, January 1</i> | <u>\$106,658</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$146,219</u></u> |

See accompanying notes to the financial statements

WEST FARMINGTON VILLAGE, TRUMBULL COUNTY
Combined Statement of Additions, Deductions and Changes in Fund Balances (Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2022

| | Custodial Funds |
|---|--------------------|
| Additions | |
| <i>Total Additions</i> | \$ - |
| Deductions | |
| <i>Total Deductions</i> | \$ - |
| <i>Net Change in Fund Cash Balances</i> | \$ - |
| <i>Fund Cash Balances, January 1</i> | 397 |
| <i>Fund Cash Balances, December 31</i> | \$397 |

See accompanying notes to the financial statements

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Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 - Reporting Entity

The Village of West Farmington (the Village), Trumbull County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, park operations, police services, street lighting and street repairs and maintenance.

Jointly Governed Organizations

The Village participates in the Trumbull County Council of Governments, a council of governments organized under Section 167 of the Ohio Revised Code. Note 12 to the financial statement provides additional information for this entity.

Public Entity Risk Pools

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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

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

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

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

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

Sewer Fund The sewer fund accounts for the monies to be used for the collection and treatment of sewer for the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for unclaimed monies.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 (C) permit.

Budgetary Process

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

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

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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

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

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2022 follows:

| 2022 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$81,680 | \$61,846 | (\$19,834) |
| Special Revenue | 164,113 | 97,381 | (66,732) |
| Enterprise | 4,070,455 | 2,333,783 | (1,736,672) |
| Total | <u>\$4,316,248</u> | <u>\$2,493,010</u> | <u>(\$1,823,238)</u> |

| 2022 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$81,680 | \$64,391 | \$17,289 |
| Special Revenue | 164,113 | 94,726 | 69,387 |
| Enterprise | 4,070,455 | 2,294,228 | 1,776,227 |
| Total | <u>\$4,316,248</u> | <u>\$2,453,345</u> | <u>\$1,862,903</u> |

Note 4 – Deposits and Investments

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

| | |
|-----------------|------------------|
| | 2022 |
| Demand deposits | <u>\$220,954</u> |
| Total deposits | <u>220,954</u> |

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

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

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

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

Note 6 – Interfund Balances

Advances

There were no outstanding advances at December 31, 2022.

Note 7 - Risk Management

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

West Farmington 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. Sedgwick functions as the administrator of PEP overseeing all management aspects of PEP. As part of the Administration duties of Sedgwick, underwriting, claims and litigation, risk management, financial and reinsurance services are provided for the benefit of PEP members. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by Sedgwick. Members pay annual contributions to fund PEP. In turn, PEP pays judgments, settlements, property losses and other expenses resulting from covered claims that exceed the members' deductibles.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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, 2022, PEP retained \$500,000 for casualty claims and \$250,000 for property claims for losses after 2018. APEEP and excess reinsurance provide coverage limits beyond PEP's pool retention.

Claims exceeding coverage limits are the obligation of the respective public entity.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2022.

| | |
|--------------|--------------|
| | 2022 |
| Assets | \$61,537,313 |
| Liabilities | (18,634,081) |
| Net Position | \$42,894,232 |

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.

| |
|--|
| 2022 Contributions to PEP \$ 15,533 |
|--|

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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

| <i>Retirement Rates</i> | <i>Year</i> | <i>Member Rate</i> | <i>Employer Rate</i> |
|-------------------------|------------------|--------------------|----------------------|
| <i>OPERS – Local</i> | <i>2012-2022</i> | <i>10%</i> | <i>14%</i> |

Social Security

Select Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022.

Note 10 – Debt

Debt outstanding at December 31, 2022 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|--------------------|----------------------|
| OWDA Loan#9653 (2023)(Refinanced USDA91-08) | \$49,395 | 1.50% |
| OWDA Loan#9144 (2020) | \$2,988,893 | 0.00% |
| OWDA Loan # 6162 (2012) | \$23,228 | 1.50% |
| ODOT Loan (2015) | \$4,364 | 3.0% |
| | <u>\$3,065,880</u> | |

The USDA Rural Development Temporary Mortgage Revenue Loans (Cap Project) were issued for the purpose of financing the cost of improvements to the Village water system. The loans were paid 2022 and refinanced USDA 91-08. It was refinanced with the OWDA Loan #9653 with a 1.5% interest rate and semiannual payments. The Village had established a debt service sinking fund and debt service reserve fund in compliance with debt covenants associated with these loans. Water receipts collateralize the loans.

The Ohio Development Authority Loan # 9144 was entered into to finance the sanitary sewer treatment plant improvements. The Village received funding of \$1,797,347, in 2021. The project should be completed in 2023. This loan will be repaid in semi-annual installments over twenty years with no interest. The Village had established a debt service sinking fund and debt service reserve fund in compliance with debt covenants associated with these loans. Water and sewer receipts collateralize the loan.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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

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

Amortization

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

| Year ending December 31: | OWDA 9653 | OWDA 9144 | OWDA #6162 | ODOT 2015 |
|-----------------------------|-----------------|--------------------|-----------------|----------------|
| 2022 | | | 2,399.00 | 1,746 |
| 2023 | 5,075 | 45,275 | 2,399 | 1,746 |
| 2024 | 5,075 | 90,552 | 2,399 | 1,746 |
| 2025 | 5,075 | 90,552 | 2,399 | 1,746 |
| 2026 | 5,075 | 90,552 | 2,399 | |
| 2027 | 5,075 | 90,552 | 2,399 | |
| 2028 | 5,075 | 90,552 | 2,399 | |
| 2029-2063 | 20,302 | 2,490,858 | 10,798 | |
| Total | <u>\$50,752</u> | <u>\$2,988,893</u> | <u>\$27,591</u> | <u>\$6,983</u> |

Note 11 – Construction and Contractual Commitments

The Village is currently working on a wastewater treatment plant. We broke ground last year and the project is slated to be completed May 2023. To date the collection system is complete, and the plant is 100% complete. It is ready for tap-ins to be completed in 2023.

The Village has acquired a grant for \$200,000 from the State to build a playground. It is slated to start in May 2023.

Note 12 – Jointly Governed Organizations

The Village participates in the Trumbull County Council of Governments, a council of governments organized under Section 167 of the Ohio Revised Code. Participating entities includes Trumbull County; Cities: Cortland, Hubbard and Niles; Villages: McDonald, Newton Falls and West Farmington; Townships: Bazetta, Braceville, Bristol, Brookfield, Champion, Farmington, Fowler, Hartford, Howland, Hubbard, Kinsman, Liberty, Mesopotamia, Newton, Southington, Vernon, Vienna, Warren and Weathersfield.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

The organization was formed to facilitate the participation of Trumbull County Communities and partners in areas of collaboration, resource sharing and challenge resolution, with the common objective of improving operations and efficiencies for the benefit of Trumbull County as a whole.

Each participant's degree of control is limited to its representation on the board. Trumbull County Council of Government adopts its own budget and authorized expenditures. In 2021, the Village contributed \$100.00.

Note 13 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

| <u>Fund Balances</u> | <u>General</u> | <u>Special Revenue</u> | <u>Total</u> |
|--------------------------|-----------------------|----------------------------|-----------------------|
| Nonspendable: | | | |
| Unclaimed Monies | \$397 | | \$ 397 |
| Outstanding Encumbrances | <u>2,597</u> | <u>752</u> | <u>3,349</u> |
| <i>Total</i> | <u><u>\$2,994</u></u> | <u><u>\$752</u></u> | <u><u>\$3,746</u></u> |

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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WEST FARMINGTON VILLAGE, TRUMBULL COUNTY
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

| | <u>General</u> | <u>Special Revenue</u> | <u>Total (Memorandum Only)</u> |
|---|------------------------|------------------------|------------------------------------|
| Cash Receipts | | | |
| Property and Other Taxes | \$34,791 | \$24,515 | \$59,306 |
| Intergovernmental | 15,450 | 33,088 | 48,538 |
| Special Assessments | | 32,766 | 32,766 |
| Fines, Licenses and Permits | 4,444 | 2,090 | 6,534 |
| Earnings on Investments | 22 | 24 | 46 |
| Miscellaneous | 2,390 | 175 | 2,565 |
| <i>Total Cash Receipts</i> | <u>57,097</u> | <u>92,658</u> | <u>149,755</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons & Property | 199 | 24,783 | 24,982 |
| Leisure Time Activities | 7,318 | 175 | 7,493 |
| Basic Utility Services | 11 | 25,207 | 25,218 |
| Transportation | | 83,516 | 83,516 |
| General Government | 51,070 | 10,304 | 61,374 |
| Capital Outlay | | 432 | 432 |
| <i>Total Cash Disbursements</i> | <u>58,598</u> | <u>144,417</u> | <u>203,015</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,501)</u> | <u>(51,759)</u> | <u>(53,260)</u> |
| Other Financing Receipts (Disbursements) | | | |
| Transfers In | 0 | 1,000 | 1,000 |
| Transfers Out | (1,000) | 0 | (1,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>0</u> | <u>1,000</u> | <u>0</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(2,501)</u> | <u>(50,759)</u> | <u>(53,260)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>\$27,057</u> | <u>\$97,088</u> | <u>\$124,145</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$24,556</u></u> | <u><u>\$46,329</u></u> | <u><u>\$70,885</u></u> |

See accompanying notes to the financial statements

WEST FARMINGTON VILLAGE, TRUMBULL COUNTY
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2021

| | <u>Enterprise</u> |
|--|-------------------------|
| Operating Cash Receipts | |
| Charges for Services | \$250,870 |
| <i>Total Operating Cash Receipts</i> | <u>250,870</u> |
| Operating Cash Disbursements | |
| Personal Services | 25,667 |
| Fringe Benefits | 3,448 |
| Contractual Services | 281,979 |
| Supplies and Materials | 18,087 |
| Other | 1,377 |
| <i>Total Operating Cash Disbursements</i> | <u>330,558</u> |
| <i>Operating Income (Loss)</i> | <u>(79,688)</u> |
| Non-Operating Receipts (Disbursements) | |
| Intergovernmental Receipts | 4,205,477 |
| Special Assessments | 76,206 |
| Loans proceeds | 1,215,480 |
| Capital Outlay | (5,397,023) |
| Principal Retirement | (8,781) |
| Interest and Other Fiscal Charges | (3,606) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>87,753</u> |
| <i>Income (Loss) before Capital Contributions, Special</i> | 8,065 |
| Transfers In | 16,644 |
| Transfers Out | (16,644) |
| <i>Net Change in Fund Cash Balance</i> | <u>8,065</u> |
| <i>Fund Cash Balances, January 1</i> | <u>\$98,593</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$106,658</u></u> |

See accompanying notes to the financial statements

WEST FARMINGTON VILLAGE, TRUMBULL COUNTY
Combined Statement of Additions, Deductions and Changes in Fund Balances
All Fiduciary Fund Types
For the Year Ended December 31, 2021

| | Custodial Funds |
|---|--------------------|
| Additions | |
| <i>Total Additions</i> | \$ - |
| Deductions | |
| <i>Total Deductions</i> | \$ - |
| <i>Net Change in Fund Cash Balances</i> | \$ - |
| <i>Fund Cash Balances, January 1</i> | 397 |
| <i>Fund Cash Balances, December 31</i> | \$397 |

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 - Reporting Entity

The Village of West Farmington (the Village), Trumbull County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, park operations, police services, street lighting and street repairs and maintenance.

Jointly Governed Organizations

The Village participates in the Trumbull County Council of Governments, a council of governments organized under Section 167 of the Ohio Revised Code. Note 12 to the financial statement provides additional information for this entity.

Public Entity Risk Pools

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Permissive Motor Vehicle License Tax The permissive motor vehicle license tax fund accounts for permissive motor vehicle license registration fees restricted for construction, maintenance, and repair

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

of streets within the Village.

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

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

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

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

Sewer Fund The sewer fund accounts for the monies to be used for the collection and treatment of sewer for the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for unclaimed monies.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 (C) permit.

Budgetary Process

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

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

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

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2021 follows:

| 2021 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|--------------------|--------------------|----------------------|
| Fund Type | Budgeted | Actual | Variance |
| | Receipts | Receipts | |
| General | \$83,005 | \$57,097 | (\$25,908) |
| Special Revenue | 178,869 | 93,658 | (85,211) |
| Enterprise | 9,422,177 | 5,764,677 | (3,657,500) |
| Total | <u>\$9,684,051</u> | <u>\$5,915,432</u> | <u>(\$3,768,619)</u> |

| 2021 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|--------------------|--------------------|--------------------|
| Fund Type | Appropriation | Budgetary | Variance |
| | Authority | Expenditures | |
| General | \$83,005 | \$59,903 | \$23,102 |
| Special Revenue | 153,519 | 145,061 | 8,728 |
| Enterprise | 9,422,177 | 5,756,612 | 3,665,565 |
| Total | <u>\$9,658,701</u> | <u>\$5,961,306</u> | <u>\$3,697,395</u> |

Note 4 – Deposits and Investments

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

| | |
|-----------------|------------------|
| | 2021 |
| Demand deposits | <u>\$177,940</u> |
| Total deposits | <u>177,940</u> |

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

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

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

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

Note 6 – Interfund Balances

Advances

There were no outstanding advances at December 31, 2021.

Note 7 - Risk Management

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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, 2021, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2021.

| | |
|--------------|--------------|
| | 2021 |
| Assets | \$59,340,305 |
| Liabilities | (17,071,953) |
| Net Position | \$42,268,352 |

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.

| |
|--|
| 2021 Contributions to PEP \$ 14,015 |
|--|

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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

| <i>Retirement Rates</i> | <i>Year</i> | <i>Member Rate</i> | <i>Employer Rate</i> |
|-------------------------|------------------|--------------------|----------------------|
| <i>OPERS – Local</i> | <i>2012-2021</i> | <i>10%</i> | <i>14%</i> |

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Social Security

Select Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021.

Note 10 – Debt

Debt outstanding at December 31, 2021 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|------------------------------------|--------------------|----------------------|
| OWDA Loan # 6162 (2012) | \$25,256 | 1.50% |
| USDA Cap Project Loan 2003 (91-11) | \$7,500 | 4.25% |
| OWDA Loan # 9144 (2020) | \$1,191,546 | 0.00% |
| ODOT Loan (2015) | \$6,534 | 3.00% |
| | <u>\$1,230,836</u> | |

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

The USDA Rural Development Temporary Mortgage Revenue Loans (Cap Project) were issued for the purpose of financing the cost of improvements to the Village water system. The loan will be repaid until the year 2024. The Village had established a debt service sinking fund and debt service reserve fund in compliance with debt covenants associated with these loans. Water receipts collateralize the loans.

The Ohio Development Authority Loan # 9144 was entered into to finance the sanitary sewer treatment plant improvements. The Village received funding of \$1,191,546 in 2021. The project should be completed in 2023. This loan will be repaid in semi-annual installments over twenty years with no interest. The Village had established a debt service sinking fund and debt service reserve fund in compliance with debt covenants associated with these loans. Water and sewer receipts collateralize the loan.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

Amortization

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

| Year ending | OWDA | USDA | OWDA | ODOT |
|--------------|-----------------|-----------------|--------------------|----------------|
| December 31: | #6162 | 91-11 | #9144 | 2015 |
| 2022 | 2,400 | 4,019 | 0 | 1,746 |
| 2023 | 2,400 | 4,019 | 45,275 | 1,746 |
| 2024 | 2,400 | 3,962 | 90,550 | 1,746 |
| 2025 | 2,400 | | 90,550 | 1,746 |
| 2026 | 2,400 | | 90,550 | 1,746 |
| 2027-2032 | 14,600 | | 452,750 | |
| 2033-2038 | 2,400 | | 421,871 | |
| 2039- | | | | |
| Total | <u>\$29,000</u> | <u>\$11,999</u> | <u>\$1,191,546</u> | <u>\$8,729</u> |

Note 11 – Construction and Contractual Commitments

The Village is currently working on a wastewater treatment plant. We broke ground this year and the project is slated to be completed May 2022. To date the collection system is complete, and the plant is 80% complete. The Village obtained the funding to build the \$9,500,000.00 treatment facility and collection system with approximately 70% principal forgiveness.

Note 12 – Jointly Governed Organizations

The Village participates in the Trumbull County Council of Governments, a council of governments organized under Section 167 of the Ohio Revised Code. Participating entities includes Trumbull County; Cities: Cortland, Hubbard and Niles; Villages: McDonald, Newton Falls and West Farmington; Townships: Bazetta, Braceville, Bristol, Brookfield, Champion, Farmington, Fowler, Hartford, Howland, Hubbard, Kinsman, Liberty, Mesopotamia, Newton, Southington, Vernon, Vienna, Warren and Weathersfield.

The organization was formed to facilitate the participation of Trumbull County Communities and partners in areas of collaboration, resource sharing and challenge resolution, with the common objective of improving operations and efficiencies for the benefit of Trumbull County as a whole.

Each participates degree of control is limited to its representation on the board. Trumbull County Council of Government adopts its own budget and authorized expenditures. In 2021, the Village contributed \$100.00.

Village of West Farmington, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 13 – American Rescue Plan Funding

In 2021 the Village received 25,349.76 in American Rescue Plan funding. The village used this money to pay for lost revenue in the water department.

Note 14 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

| <u>Fund Balances</u> | <u>General</u> | <u>Special Revenue</u> | <u>Total</u> |
|--------------------------|----------------|----------------------------|----------------|
| Nonspendable: | | | |
| Unclaimed Monies | \$397 | | \$ 397 |
| Outstanding Encumbrances | 305 | 644 | 949 |
| <i>Total</i> | <u>\$702</u> | <u>\$644</u> | <u>\$1,346</u> |

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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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
251 4th Street
PO Box 215
West Farmington, Ohio 44491

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of West Farmington, Trumbull County, (the Village) and have issued our report thereon dated January 31, 2025, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as item 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-002.

Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 31, 2025

**VILLAGE OF WEST FARMINGTON
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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1. Financial Reporting

FINDING NUMBER 2022-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In 2021:

- In the Special Revenue Funds, the Village recorded American Rescue monies of \$25,350 to Special Assessments revenue, but should have been posted to Intergovernmental revenue.
- Five Special Revenue funds (2051, 2061, 2062, 2063, and 2064) and two Capital Projects funds (4901 and 4902) accounted for sewer fund related activities. The activity in these funds should have been reported in the sewer fund. Special Revenue funds' intergovernmental receipts and capital outlay disbursements were overstated by \$3,665,227. Capital Projects funds' intergovernmental receipts and capital outlay disbursements were overstated by \$1,731,796. The Sewer Fund's intergovernmental receipts, loan proceeds, and capital outlay disbursements were understated by \$4,205,477, \$1,191,546, and \$5,397,023, respectively.

In 2022:

- In the General Fund, the Village recorded \$6,081 in homestead and rollback fees to Property Tax revenue that should have been posted to Intergovernmental revenue.
- In the General Fund, the Village recorded \$15,643 in 2nd half- real estate property tax settlements to Intergovernmental revenue that should have been posted to Property Tax revenue.
- In the Special Revenue Funds, the Village recorded OWDA monies of \$50,340 to Special Assessments revenue, but should have been posted to Intergovernmental revenue.
- Five Special Revenue funds (2051, 2061, 2062, 2063, and 2064) and two Capital Projects funds (4901 and 4902) accounted for sewer fund related activities. The activity in these funds should have been reported in the sewer fund. Special Revenue funds' intergovernmental receipts, special assessments receipts, capital outlay disbursements, and ending fund balance were overstated by \$360,141, \$50,340, \$394,620, and \$15,861. Capital Projects funds' intergovernmental receipts and capital outlay disbursements were overstated by \$1,530,607. The Sewer Fund's intergovernmental receipts, special assessments, loan proceeds, and capital outlay disbursements were understated by \$118,420, \$50,340, \$1,787,416, \$1,925,227, and \$15,861, respectively.

In addition, we noted the following in regards the 2022 and 2021 notes to the financial statements:

- 2022 and 2021 - Note 3, Budgetary Activity, did not present the budget versus actual receipts disclosure.
- 2022 Note 3, Budgetary Activity, budgeted versus actual expenditures reflected total appropriations of \$9,706,887; however, Council approved appropriations were \$4,316,248.
- 2022 and 2021 – Ohio Development Authority Loan # 9144 was not included. Loan proceeds and were \$1,797,347 and \$1,191,546.
- 2022 and 2021 – lacked the regulatory filing Fund Balances disclosure.

These errors were caused by a lack of internal controls related to the posting of financial transactions. The financial statements have been adjusted for the above errors.

To help ensure complete and accurate financial reporting, the Fiscal Officer should closely monitor all receipts to ensure amounts are posted to the proper accounts and refer to the Village Officer Handbook when necessary to help ensure proper accounts are being used.

Officials' Response: Management has reviewed chart of accounts and funds to better present financial statements.

2. Timely Remittances

FINDING NUMBER 2022-002

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

26 USC Sections 3102 and 3402 require the employing government to withhold federal and employment related taxes (such as Medicare and Social Security) from each employee. Furthermore, these chapters hold employers liable for reporting and payment of these taxes.

The Village withholds federal taxes from employee's paychecks. However, for both years under audit, the Village did not complete 941 forms for the IRS (Employer's Quarterly Federal Tax Returns). The IRS informed the Village in 2023 that they were missing these forms, and the Village has since filed these with the IRS.

Improperly remitting federal withholdings to the IRS can result in penalties and interest payments. The Village is paying penalties and interest for this in 2023.

The federal withholdings for the fourth quarter of 2022 were not remitted until January 2023. This is not considered timely.

Additionally, State of Ohio taxes for the third quarter of 2022 were not remitted until January 2023. This is not considered timely. Furthermore, the payment for July 2022 of \$73.53 was not able to be tied to a payment on the Village's bank statements.

Lastly, while reviewing OPERS remittances it was determined that for the third quarter of 2021, the Village remitted \$528 less than the amount withheld per the accounting system. In 2022, for the second quarter, the Village remitted \$151 less than the amount withheld per the accounting system. These second quarter remittances were not paid until the third quarter of 2022. Additionally, for this quarter, the Village paid \$28 between late fees and penalties.

The Village should implement procedures by which the Fiscal Officer remits withholdings to the Internal Revenue Service in a timely manner and can accurately track when all remittances are due and paid. This may help strengthen control over the village payroll cycle and may help reduce the risk of unnecessary penalties and interest. Additionally, the Village should remit all taxes/withholdings in a timely manner.

Officials' Response: Management has also established internal procedures to ensure withholdings are remitted in a timely manner.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF WEST FARMINGTON

TRUMBULL COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/27/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov