



**Auditor of State
Betty Montgomery**

**FARMINGTON TOWNSHIP
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets – Cash Basis – December 31, 2005	9
Statement of Activities – Cash Basis – December 31, 2005	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds - December 31, 2005	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – December 31, 2005	13
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) - General Fund – December 31, 2005	15
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Gasoline Tax Fund – December 31, 2005	16
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Road and Bridge Fund – December 31, 2005	17
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Fire District Fund – December 31, 2005	18
Notes to the Basic Financial Statements.....	19
Independent Accountants' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Township, Trumbull County, Ohio (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Township, Trumbull County, Ohio, as of December 31, 2005, the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund, thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Betty Montgomery
Auditor of State

September 29, 2006

Farmington Township, Trumbull County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$19,620, or 7 percent, a significant change from the prior year. The General Fund was most affected by the decrease in cash and cash equivalents because it realized the greatest burden of increased costs in 2005.

The Township's general receipts are primarily property taxes and a bank note to finance the purchase of a fire truck. These receipts represent 35 and 37 percent respectively of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

Using the Basic Financial Statements

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

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Township as a whole.

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

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

Basis of Accounting

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

Farmington Township, Trumbull County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

Reporting the Township as a Whole

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

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

In the Statement of Net Assets and the Statement of Activities, we display the information in the following manner:

Governmental activities. All of the Township's basic services are reported here, including police, fire, streets maintenance and repairs, and cemetery. Property taxes and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

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

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Farmington Township, Trumbull County, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

The Township's major governmental funds for 2005 are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund, and General Note Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

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

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$272,981	\$292,601
Total Assets	\$272,981	\$292,601
Net Assets		
Restricted for:		
Debt Service	\$9,143	\$8,417
Other Purposes	196,726	183,643
Unrestricted	67,112	100,541
Total Net Assets	\$272,981	\$292,601

Farmington Township, Trumbull County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

Receipts:	
Program Receipts:	
Charges for Services and Sales	\$22,666
Operating Grants and Contributions	36,714
Total Program Receipts	<u>59,380</u>
General Receipts:	
Property Taxes	236,948
Gasoline Taxes	73,230
Motor Vehicle License Taxes	7,485
Grants and Entitlements Not Restricted to Specific Programs	35,382
Note Issued	250,000
Interest	4,075
Miscellaneous	14,827
Total General Receipts	<u>621,947</u>
Total Receipts	<u>681,327</u>
Disbursements:	
General Government	81,564
Public Safety	63,475
Public Works	106,260
Health	25,255
Conservation-Recreation	14,037
Capital Outlay	320,644
Debt Service	89,712
Total Disbursements	<u>700,947</u>
Increase (Decrease) in Net Assets	(19,620)
Net Assets, January 1, 2005	<u>292,601</u>
Net Assets, December 31, 2005	<u><u>\$272,981</u></u>

Program receipts represent only 9 percent of total receipts and are primarily comprised of restricted intergovernmental receipts.

Farmington Township, Trumbull County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General receipts represent 91 percent of the Township's total receipts, and of this amount, over 38 percent are property taxes. A note issued to purchase a fire truck and State entitlements make up the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of trustees and the fiscal officer. Public safety is the costs of providing police and fire protection and public works includes the costs of maintaining Township roads.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, public works, and capital outlay which account for \$505,468 and 73% of all governmental disbursements, respectively. The next three columns of the Statement entitled program receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$ 81,564	\$ 44,850
Public Safety	63,475	53,281
Public Works	106,260	106,260
Health	25,255	24,955
Conservation-Recreation	14,037	14,037
Other	0	(12,172)
Capital Outlay	320,644	320,644
Debt Service	89,712	89,712
Total Expenses	\$ 700,947	\$ 641,567

The dependence upon tax receipts is apparent as over 45% of governmental activities are supported through these receipts.

Farmington Township, Trumbull County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township's Funds

Total governmental funds had receipts of \$ 681,325 and disbursements of \$ 700,947. The Trustees will need to closely monitor future spending in order to stay within amounts of money received.

General Fund Budgeting Highlights

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

During 2005, the Township amended its budget for all funds to reflect changing circumstances. Actual receipts were less than budgeted receipts in the General Fund and Fire District fund due to unexpected slow growth in tax receipts.

Debt Administration

At December 31, 2005, the Township's outstanding debt included \$55,000 in general obligation bonds issued for improvements to the fire station and \$295,650 in general obligation notes issued to purchase fire trucks and fire equipment. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jay Allen, Fiscal Officer, P.O. Box 81, Farmington, Ohio 44491

FARMINGTON TOWNSHIP, TRUMBULL COUNTY

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$272,981</u>
<i>Total Assets</i>	<u><u>\$272,981</u></u>
Net Assets	
Restricted for:	
Debt Service	9,143
Other Purposes	196,726
Unrestricted	<u>67,112</u>
<i>Total Net Assets</i>	<u><u>\$272,981</u></u>

See accompanying notes to the basic financial statements

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

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assers	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Total
Governmental Activities					
General Government	\$81,564		\$36,714	(\$44,850)	(\$44,850)
Public Safety	63,475	\$10,194		(53,281)	(53,281)
Public Works	106,260			(106,260)	(106,260)
Health	25,255	300		(24,955)	(24,955)
Conservation-Recreation	14,037			(14,037)	(14,037)
Other		12,172		12,172	12,172
Capital Outlay	320,644			(320,644)	(320,644)
Debt Service	89,712			(89,712)	(89,712)
<i>Total Governmental Activities</i>	<u>\$700,947</u>	<u>\$22,666</u>	<u>\$36,714</u>	<u>(\$641,567)</u>	<u>(641,567)</u>
General Receipts					
Property Taxes Levied for:					
					35,459
					38,721
					12,272
					61,859
					88,637
					73,230
					7,485
					35,382
					250,000
					4,075
					<u>14,827</u>
					621,947
					(19,620)
					<u>292,601</u>
					<u>\$272,981</u>

See accompanying notes to the basic financial statements

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

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire District</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$67,112	\$30,681	\$27,388	\$72,653
<i>Total Assets</i>	<u>\$67,112</u>	<u>\$30,681</u>	<u>\$27,388</u>	<u>\$72,653</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$1,000			
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	66,112			
Special Revenue Funds		\$30,681	\$27,388	\$72,653
Debt Service Fund				
<i>Total Fund Balances</i>	<u>\$67,112</u>	<u>\$30,681</u>	<u>\$27,388</u>	<u>\$72,653</u>

See accompanying notes to the basic financial statements

General Note Retirement	Other Governmental Funds	Total Governmental Funds
\$9,143	\$66,004	\$272,981
<u>\$9,143</u>	<u>\$66,004</u>	<u>\$272,981</u>
		\$1,000
		66,112
	\$66,004	196,726
\$9,143		9,143
<u>\$9,143</u>	<u>\$66,004</u>	<u>\$272,981</u>

FARMINGTON TOWNSHIP, TRUMBULL COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Gasoline Tax	Road and Bridge	Fire District
Receipts				
Property and Other Local Taxes	\$35,459		\$38,721	\$61,859
Charges for Services				
Licenses, Permits and Fees				
Intergovernmental	42,805	\$73,230	5,480	19,182
Interest	3,969	93		
Other	5,227	6	6,377	1,662
<i>Total Receipts</i>	<u>87,460</u>	<u>73,329</u>	<u>50,578</u>	<u>82,703</u>
Disbursements				
Current:				
General Government	77,592			3,300
Public Safety				52,543
Public Works	1,200	69,947	27,275	
Health	4,685			
Conservation-Recreation	14,037			
Capital Outlay	23,375			294,085
Debt Service:				
Principal Retirement				
Interest and Fiscal Charges				
<i>Total Disbursements</i>	<u>120,889</u>	<u>69,947</u>	<u>27,275</u>	<u>349,928</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,429)</u>	<u>3,382</u>	<u>23,303</u>	<u>(267,225)</u>
Other Financing Sources (Uses)				
Notes Issued				250,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>250,000</u>
<i>Net Change in Fund Balances</i>	(33,429)	3,382	23,303	(17,225)
<i>Fund Balances Beginning of Year</i>	<u>100,541</u>	<u>27,299</u>	<u>4,085</u>	<u>89,878</u>
<i>Fund Balances End of Year</i>	<u>\$67,112</u>	<u>\$30,681</u>	<u>\$27,388</u>	<u>\$72,653</u>

See accompanying notes to the basic financial statements

General Note Retirement	Other Governmental Funds	Total Governmental Funds
\$88,637	\$12,272	\$236,948
	10,494	10,494
	12,172	12,172
1,801	10,313	152,811
	13	4,075
	1,555	14,827
<u>90,438</u>	<u>46,819</u>	<u>431,327</u>
	672	81,564
	10,932	63,475
	7,838	106,260
	20,570	25,255
		14,037
	3,184	320,644
73,155		73,155
<u>16,557</u>		<u>16,557</u>
<u>89,712</u>	<u>43,196</u>	<u>700,947</u>
<u>726</u>	<u>3,623</u>	<u>(269,620)</u>
		250,000
<u>0</u>	<u>0</u>	<u>250,000</u>
726	3,623	(19,620)
<u>8,417</u>	<u>62,381</u>	<u>292,601</u>
<u>\$9,143</u>	<u>\$66,004</u>	<u>\$272,981</u>

FARMINGTON TOWNSHIP, TRUMBULL COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund*

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$36,572	\$36,572	\$35,459	(\$1,113)
Intergovernmental	48,473	48,473	42,805	(5,668)
Interest	1,000	1,000	3,969	2,969
Other	6,032	6,032	5,227	(805)
<i>Total receipts</i>	<u>92,077</u>	<u>92,077</u>	<u>87,460</u>	<u>(4,617)</u>
Disbursements				
Current:				
General Government	94,725	106,725	77,592	29,133
Public Works	11,200	11,200	1,200	10,000
Health	5,000	5,000	4,685	315
Conservation-Recreation	31,075	31,075	15,037	16,038
Capital Outlay	49,100	37,100	23,375	13,725
<i>Total Disbursements</i>	<u>191,100</u>	<u>191,100</u>	<u>121,889</u>	<u>69,211</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(99,023)</u>	<u>(99,023)</u>	<u>(34,429)</u>	<u>64,594</u>
<i>Net Change in Fund Balance</i>	(99,023)	(99,023)	(34,429)	64,594
<i>Fund Balance Beginning of Year</i>	84,441	84,441	84,441	0
Prior Year Encumbrances Appropriated	<u>16,100</u>	<u>16,100</u>	<u>16,100</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,518</u>	<u>\$1,518</u>	<u>\$66,112</u>	<u>\$64,594</u>

See accompanying notes to the basic financial statements

FARMINGTON TOWNSHIP, TRUMBULL COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$70,000	\$70,000	\$73,230	\$3,230
Interest	80	80	93	13
<i>Total receipts</i>	<u>70,080</u>	<u>70,080</u>	<u>73,329</u>	<u>3,249</u>
Disbursements				
Current:				
Public Works	93,500	93,500	69,947	23,553
Capital Outlay	1,500	1,500		1,500
<i>Total Disbursements</i>	<u>95,000</u>	<u>95,000</u>	<u>69,947</u>	<u>25,053</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,920)</u>	<u>(24,920)</u>	<u>3,382</u>	<u>28,302</u>
<i>Net Change in Fund Balance</i>	(24,920)	(24,920)	3,382	28,302
<i>Fund Balance Beginning of Year</i>	<u>27,299</u>	<u>27,299</u>	<u>27,299</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,379</u>	<u>\$2,379</u>	<u>\$30,681</u>	<u>\$28,302</u>

See accompanying notes to the basic financial statements

FARMINGTON TOWNSHIP, TRUMBULL COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$39,212	\$39,212	\$38,721	(\$491)
Intergovernmental	5,628	5,628	5,480	(148)
Other	5,518	5,518	6,377	859
<i>Total receipts</i>	<u>50,358</u>	<u>50,358</u>	<u>50,578</u>	<u>220</u>
Disbursements				
Current:				
Public Works	52,000	52,000	27,275	24,725
Capital Outlay	2,000	2,000		2,000
<i>Total Disbursements</i>	<u>54,000</u>	<u>54,000</u>	<u>27,275</u>	<u>26,725</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,642)</u>	<u>(3,642)</u>	<u>23,303</u>	<u>26,945</u>
<i>Net Change in Fund Balance</i>	(3,642)	(3,642)	23,303	26,945
<i>Fund Balance Beginning of Year</i>	<u>4,085</u>	<u>4,085</u>	<u>4,085</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$443</u>	<u>\$443</u>	<u>\$27,388</u>	<u>\$26,945</u>

See accompanying notes to the basic financial statements

FARMINGTON TOWNSHIP, TRUMBULL COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Fire District Fund

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$108,954	\$108,954	\$61,859	(\$47,095)
Intergovernmental	19,107	19,107	19,182	75
Other	2,000	2,000	1,662	(338)
<i>Total receipts</i>	<u>130,061</u>	<u>130,061</u>	<u>82,703</u>	<u>(47,358)</u>
Disbursements				
Current:				
General Government	3,600	3,600	3,300	300
Public Safety	90,600	89,215	52,543	36,672
Capital Outlay	70,000	320,000	294,085	25,915
<i>Total Disbursements</i>	<u>164,200</u>	<u>412,815</u>	<u>349,928</u>	<u>62,887</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(34,139)</u>	<u>(282,754)</u>	<u>(267,225)</u>	<u>15,529</u>
Other Financing Sources (Uses)				
Notes Issued	0	250,000	250,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(34,139)</u>	<u>(32,754)</u>	<u>(17,225)</u>	<u>15,529</u>
<i>Fund Balance Beginning of Year</i>	77,063	77,063	77,063	0
Prior Year Encumbrances Appropriated	12,815	12,815	12,815	0
<i>Fund Balance End of Year</i>	<u>\$55,739</u>	<u>\$57,124</u>	<u>\$72,653</u>	<u>\$15,529</u>

See accompanying notes to the basic financial statements

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Note 1 – Reporting Entity

The Farmington Township, Trumbull County, Ohio (the Township) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, fire protection, and emergency medical services.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements of the Township are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All funds of the Township are categorized as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Township's major governmental funds:

General Fund - This fund is used to account for all financial resources of the Township except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Gasoline Tax Fund – This fund receives state fuel excise taxes to pay for the construction, maintenance, and repair of Township roads.

Road and Bridge Fund – This fund receives property tax money to pay for the construction, maintenance, and repair of Township roads and bridges.

Fire District – This fund receives property tax money to provide fire protection to Township residents.

General Note Retirement Fund - This fund receives property tax money to pay general obligation note debt.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations measure is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation measure for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. During 2005, the Township deposited all cash in an interest bearing checking account at Cortland Bank.

Interest earnings are allocated to Township funds according to State statutes. Interest receipts credited to the General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund during 2005 was \$4,075.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent all funds excluding the General Fund.

G. Inventory and Prepaid Items

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

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road maintenance, fire protection, cemetery maintenance, zoning, and emergency medical services.

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

N. Fund Balance Reserves

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

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Accountability and Compliance

The Township has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Township.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,000 for the General Fund.

Note 6 – Deposits

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Note 6 – Deposits (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$272,981 of the Township's bank balance of \$436,211 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution.

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

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Note 7 – Property Taxes (Continued)

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

The full tax rate for all Township operations for the year ended December 31, 2005, was \$10.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$24,898,060
Commercial/Industrial/Mineral	232,100
Public Utility Property	
Real/Personal	0
Tangible Personal Property	904,650
	<hr/>
Total Assessed Value	<u>\$26,034,810</u>

Note 8 – Risk Management

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation through contracts with OTARMA.

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Note 8 – Risk Management (Continued)

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

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

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

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$15,800.

Note 9 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.70 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$9,961, \$9,203 and \$8,334, respectively. The full amount has been contributed for 2005, 2004, and 2003.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Note 10 - Postemployment Benefits (Continued)

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

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 11-Debt

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

	Interest Rate	Balance December 31, 2004	Additions	Reduction s	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds:						
1990 Issue (Original Amount \$150,000)	7.25 %	\$65,000		\$10,000	\$55,000	\$10,000
General Obligation Notes:						
2002 Issue (Original Amount \$155,000)	5.00 %	108,800		24,867	83,933	26,125
2005 Issue (Original Amount \$250,000)	5.00 %	0	250,000	38,282	211,717	34,844
Totals		\$173,800	\$250,000	\$73,149	\$350,650	\$70,969

The general obligation notes are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

Farmington Township, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 11-Debt (Continued)

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

Year	G.O. Bonds and Notes	
	Principal	Interest
2006	\$ 70,970	\$ 18,017
2007	\$ 74,057	\$ 14,206
2008	\$ 77,275	\$ 10,262
2009	\$ 51,932	\$ 6,443
2010	\$ 57,453	\$ 3,634
2011 – 2015	\$ 18,963	\$ 474
Totals	<u>\$ 350,650</u>	<u>\$ 53,036</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005 were an overall debt margin of \$ 2,373,005 and an unvoted debt margin of \$ 1,071,265.

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Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Township, Trumbull County, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 29, 2006 wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that must be reported under *Government Auditing Standards*.

Farmington Township
Trumbull County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 29, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FARMINGTON TOWNSHIP

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 12, 2006**