



**Auditor of State  
Betty Montgomery**



VILLAGE OF WEST FARMINGTON  
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 .....	11
Statement of Activities – Cash Basis.....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances .....	13
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds.....	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) - General Fund .....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Gas Tax Fund .....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Permissive MVL Fund .....	17
Statement of Fund Net Assets – Cash Basis - Proprietary Funds .....	18
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets –Cash Basis - Proprietary Funds .....	19
Notes to the Basic Financial Statements.....	21
Independent Accountants' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	33

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Farmington, Trumbull County, (the Village) as of and for the year ended December 31, 2004 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Farmington, Trumbull County, as of December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gas Tax Fund, and Permissive MVL Fund, thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Village 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 April 25, 2006 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



**Betty Montgomery**  
Auditor of State

April 25, 2006

Village of West Farmington – Trumbull County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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This discussion and analysis of the Village of West Farmington's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2004 are as follows:

Net assets of governmental funds decreased approximately \$3,500, or 2 percent, a not too significant change from the prior year. There were transfers made to from the General Fund to support the Police Fund, Parks & Recreation Fund, and Waste Water Treatment Plant Fund.

The Village's general receipts are primarily property taxes and intergovernmental receipts. These receipts represent respectively 29 and 15 percent of the total cash received for governmental activities during the year. Property and intergovernmental receipts for 2004 changed very little compared to 2003, both of these sources comprise the major source of funding for the Village's governmental activities.

The water operation, the Village's lone business-type activity, generated an excess of revenue over expenditures, but this was more than offset by the debt payments required to be made and amounts required to be set aside in the reserve fund. In 2004, the Village undertook the painting and minor repair of the water tank. This was financed in part from a grant and in part by a loan through the USDA.

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

### **Using the Basic Financial Statements**

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

### **Report Components**

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

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

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

Village of West Farmington – Trumbull County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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### **Basis of Accounting**

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

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

### **Reporting the Village as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2004, presented within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances of the governmental and business-type activities of the Village at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the Statement of Net Assets and the Statement of Activities, we divide the Village's activities into two types:

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

*Business-type activities.* The Village has one business-type activity, the provision of water. Business-type activities are financed by a fee charged to the customers receiving the service.

### **Reporting the Government's Most Significant Funds**

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



Village of West Farmington – Trumbull County  
Management’s Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

Governmental Funds - Most of the Village’s activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village’s governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village’s programs. The Village’s significant governmental funds are presented on the financial statements in separate columns. The information for 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. The Village’s major governmental funds are the General Fund, Gas Tax Fund, and Permissive Motor Vehicle License Tax Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

**The Government as a Whole**

Table 1 provides a summary of the Village’s net assets for 2004 compared to 2003 on a cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Assets</b>						
Cash and Cash Equivalents	<u>\$155,253</u>	<u>\$158,737</u>	<u>\$14,748</u>	<u>\$26,195</u>	<u>\$170,001</u>	<u>\$184,932</u>
<b>Net Assets</b>						
Restricted for:						
Debt Service			11,726	12,102	11,726	12,102
Capital Outlay			82	82	82	82
Other Purposes	107,815	91,972			107,815	91,972
Unrestricted	<u>47,438</u>	<u>66,765</u>	<u>2,940</u>	<u>14,011</u>	<u>50,378</u>	<u>80,776</u>
Total Net Assets	<u><u>\$155,253</u></u>	<u><u>\$158,737</u></u>	<u><u>\$14,748</u></u>	<u><u>\$26,195</u></u>	<u><u>\$170,001</u></u>	<u><u>\$184,932</u></u>

Net assets of governmental activities decreased \$3,485 or 2.2 percent during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- Transfers-out to support the Police Fund, Parks & Recreation Fund, and Waste Water Treatment Plant Fund.

Table 2 reflects the changes in net assets in 2004. Since the Government did not prepare financial statements in this format for 2003, 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.

Village of West Farmington – Trumbull County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2004	Business Type Activities 2004	Total 2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$34,345	\$137,132	\$171,477
Operating Grants and Contributions			0
Capital Grants and Contributions		33,485	33,485
Total Program Receipts	<u>34,345</u>	<u>170,617</u>	<u>204,962</u>
General Receipts:			
Property and Other Local Taxes	47,954		47,954
Court Fines	3,895		3,895
Grants and Entitlements Not Restricted to Specific Programs	11,593		11,593
Cable Franchise Fees	2,530		2,530
Loan Issued		45,395	
Interest	403	69	472
Miscellaneous	5,236	6,836	12,072
Total General Receipts	<u>71,611</u>	<u>52,300</u>	<u>123,911</u>
Total Receipts	<u>105,956</u>	<u>222,917</u>	<u>328,873</u>
Disbursements:			
General Government	41,886		41,886
Security of Persons and Property	16,815		16,815
Leisure Time Activities	10,582		10,582
Transportation	21,606		21,606
Capital Outlay	1,383		1,383
Water		121,461	121,461
Debt Service		51,191	51,191
Water Plant Construction		78,880	78,880
Total Disbursements	<u>92,272</u>	<u>251,532</u>	<u>343,804</u>
Excess (Deficiency) Before Transfers	13,684	(28,615)	(14,931)
Transfers-In	6,000	53,268	59,268
Transfers-Out	(23,168)	(36,100)	(59,268)
Advances-In	7,470		7,470
Advances-Out	(7,470)		(7,470)
Increase (Decrease) in Net Assets	<u>(3,484)</u>	<u>(11,447)</u>	<u>(14,931)</u>
Net Assets, January 1, 2004	<u>158,737</u>	<u>26,195</u>	<u>184,932</u>
Net Assets, December 31, 2004	<u>\$155,253</u>	<u>\$14,748</u>	<u>\$170,001</u>

Village of West Farmington – Trumbull County  
Management’s Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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Program receipts represent approximately 76 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, water user fees, and a capital grant to finance improvements to the water plant.

General receipts represent approximately 24 percent of the Village’s total receipts, and of this amount, 61 percent are local taxes. State grants and entitlements, fines and fees, and miscellaneous make up the balance of the Village’s general receipts, approximately 39 percent.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Mayor, Council, the Clerk/Treasurer, and Zoning Inspector.

Security of Persons and Property are the costs of police protection. Leisure Time Activities are the costs of maintaining the park and playing fields.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are General Government and Transportation which account for 45 and 23 percent 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 Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services	Net Cost of Services
	2004	2004
General Government	\$41,886	\$41,711
Security of Persons and Property	16,815	16,815
Leisure Time Activities	10,582	10,582
Transportation	21,606	(12,564)
Capital Outlay	1,383	1,383
<b>Total Expenses</b>	<b>\$92,272</b>	<b>\$57,927</b>

The dependence upon property tax and intergovernmental receipts is apparent as over 63 percent of governmental activities are supported through these general receipts.

Village of West Farmington – Trumbull County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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**Business-type Activities**

The water operation of the Village is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded. We have also received notification from the Ohio EPA that improvements may be necessary to satisfy new water quality and waste water treatment standards. The Village has requirements relating to debt reserve accounts and a sinking fund. In year 2004, the Village's water tower was repainted and repaired. This was financed at least in part by a loan from USDA, and also partially a grant.

**The Government's Funds**

Total governmental funds had receipts of \$105,956 and disbursements of \$92,271 (not including transfers-out and advances-out). The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$19,328 as the result of transfers-out to support the Police Fund, Parks & Recreation Fund, and to finance for debt payments from the Waste Water Treatment Plant.

General Fund receipts were slightly greater than disbursements by \$3,840, however, total transfers-out totaled \$23,168, which indicates the General Fund is supporting other funds. The Village is limited in its options to raise property taxes, which would require a voted levy, decreasing expenditures is possible only to a limited extent. The Village's general fund balance is unusually high due to a large 2003 receipt of inheritance taxes.

**General Fund Budgeting Highlights**

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

During 2004, the Village did not amend its budget. Final budgeted receipts were below original budgeted receipts due to slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2004, the Village's outstanding debt included approximately \$400,000 in enterprise fund related debt. These include loans from OWDA and USDA. The loans were for water plant construction and improvements, and for planning and engineering costs associated with the waste water treatment plant. For further information regarding the Village's debt, refer to the debt note in the notes to the basic financial statements.

Village of West Farmington – Trumbull County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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**Current Issues**

The Village has also established a Waste Water Treatment Fund in anticipation of the building of the actual plant. The provision of sewer services for the Village is in the planning stages. The Village is operating under constraints imposed by USDA and OWDA in terms of amounts permitted to be financed, amounts ultimately chargeable to consumers, and amounts financed by other grants or loans. The EPA also has regulations that must be complied with in the building of the waste water treatment plant.

The challenge for all Governments 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 intergovernmental receipts, and to some extent on grants. There is very limited industry to support the tax base. We constantly monitor our sources of revenue and have determined that significant increases were unlikely. We also constantly monitor disbursements of the Village. We have reduced expenditure wherever possible, however with such minimal staffing, the impact is not that great.

**Contacting the Village's Financial Management**

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

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**Village of West Farmington, Trumbull County**

*Statement of Net Assets - Cash Basis*

*December 31, 2004*

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	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$155,253</u>	<u>\$14,748</u>	<u>\$170,001</u>
<i>Total Assets</i>	<u><u>\$155,253</u></u>	<u><u>\$14,748</u></u>	<u><u>\$170,001</u></u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects		\$82	\$82
Debt Service		11,726	11,726
Other Purposes	\$107,815		107,815
Unrestricted	<u>47,438</u>	<u>2,940</u>	<u>50,378</u>
<i>Total Net Assets</i>	<u><u>\$155,253</u></u>	<u><u>\$14,748</u></u>	<u><u>\$170,001</u></u>

See accompanying notes to the basic financial statements





**Village of West Farmington, Trumbull County**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*December 31, 2004*

	<u>General</u>	<u>Gas Tax</u>	<u>Permissive MVL</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	47,438	44,793	42,583	20,439	155,253
<i>Total Assets</i>	<u>47,438</u>	<u>44,793</u>	<u>42,583</u>	<u>20,439</u>	<u>155,253</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	436			124	560
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	47,002				47,002
Special Revenue Funds		44,793	42,583	20,315	107,691
<i>Total Fund Balances</i>	<u>47,438</u>	<u>44,793</u>	<u>42,583</u>	<u>20,439</u>	<u>155,253</u>

See accompanying notes to the basic financial statements

**Village of West Farmington, Trumbull County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2004

	General	Gas Tax	Permissive MVL	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$30,223			\$9,061	\$39,284
Special Assessments				3,548	3,548
Fines, Licenses and Permits	6,600				6,600
Intergovernmental	19,134	\$25,683	\$6,405	3,211	54,433
Interest	276	112		15	403
Miscellaneous	1,183	480		25	1,688
<i>Total Receipts</i>	<u>57,416</u>	<u>26,275</u>	<u>6,405</u>	<u>15,860</u>	<u>105,956</u>
<b>Disbursements</b>					
Current:					
General Government	41,843			43	41,886
Security of Persons and Property				16,815	16,815
Leisure Time Activities	10,348			233	10,582
Transportation		21,606			21,606
Capital Outlay	1,383				1,383
<i>Total Disbursements</i>	<u>53,574</u>	<u>21,606</u>	<u>0</u>	<u>17,091</u>	<u>92,271</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,841</u>	<u>4,669</u>	<u>6,405</u>	<u>(1,231)</u>	<u>13,684</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In				6,000	6,000
Transfers Out	(23,168)				(23,168)
Advances In	3,735			3,735	7,470
Advances Out	(3,735)			(3,735)	(7,470)
<i>Total Other Financing Sources (Uses)</i>	<u>(23,168)</u>	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>(17,168)</u>
<i>Net Change in Fund Balances</i>	(19,327)	4,669	6,405	4,769	(3,484)
<i>Fund Balances Beginning of Year</i>	66,765	40,124	36,178	15,670	158,737
<i>Fund Balances End of Year</i>	<u>\$47,438</u>	<u>\$44,793</u>	<u>\$42,583</u>	<u>\$20,439</u>	<u>\$155,253</u>

See accompanying notes to the basic financial statements

**Village of West Farmington, Trumbull County**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$30,475	\$30,475	\$30,223	(\$252)
Fines, Licenses and Permits	3,530	3,530	6,600	3,070
Intergovernmental	15,864	15,864	19,134	3,270
Interest	251	251	276	25
Miscellaneous	3,070	3,070	1,183	(1,887)
<i>Total receipts</i>	<u>53,190</u>	<u>53,190</u>	<u>57,416</u>	<u>4,226</u>
<b>Disbursements</b>				
Current:				
General Government	49,864	49,864	42,279	7,585
Leisure Time Activities	10,860	10,860	10,348	512
Capital Outlay	24,506	24,506	1,383	23,123
<i>Total Disbursements</i>	<u>85,230</u>	<u>85,230</u>	<u>54,010</u>	<u>31,220</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(32,040)</u>	<u>(32,040)</u>	<u>3,405</u>	<u>35,445</u>
<b>Other Financing Uses</b>				
Transfers Out	33,168	33,168	23,168	10,000
Other Financing Uses	1,557	1,557		1,557
<i>Total Other Financing Uses</i>	<u>34,725</u>	<u>34,725</u>	<u>23,168</u>	<u>11,557</u>
<i>Net Change in Fund Balance</i>	(66,765)	(66,765)	(19,763)	47,002
<i>Fund Balance Beginning of Year</i>	66,765	66,765	66,765	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$47,002</u>	<u>\$47,002</u>

See accompanying notes to the basic financial statements

**Village of West Farmington, Trumbull County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Gas Tax Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$19,915	\$19,915	\$25,683	\$5,768
Interest	85	85	112	27
Miscellaneous	0	0	480	480
<i>Total receipts</i>	<u>20,000</u>	<u>20,000</u>	<u>26,275</u>	<u>6,275</u>
<b>Disbursements</b>				
Current:				
Transportation	42,725	42,725	21,606	21,119
Capital Outlay	16,261	16,261	0	16,261
<i>Total Disbursements</i>	<u>58,986</u>	<u>58,986</u>	<u>21,606</u>	<u>37,380</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(38,986)</u>	<u>(38,986)</u>	<u>4,669</u>	<u>43,655</u>
<i>Net Change in Fund Balance</i>	(38,986)	(38,986)	4,669	43,655
<i>Fund Balance Beginning of Year</i>	40,124	40,124	40,124	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,138</u></u>	<u><u>\$1,138</u></u>	<u><u>\$44,793</u></u>	<u><u>\$43,655</u></u>

See accompanying notes to the basic financial statements

**Village of West Farmington, Trumbull County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Permissive MVL Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$7,500	\$7,500	\$6,405	(\$1,095)
<i>Total receipts</i>	7,500	7,500	6,405	(1,095)
<b>Disbursements</b>				
Current:				
General Government	7,000	7,000	0	7,000
Capital Outlay	38,478	38,478	0	38,478
<i>Total Disbursements</i>	45,478	45,478	0	45,478
<i>Excess of Receipts Over (Under) Disbursements</i>	(37,978)	(37,978)	6,405	44,383
<i>Net Change in Fund Balance</i>	(37,978)	(37,978)	6,405	44,383
<i>Fund Balance Beginning of Year</i>	36,178	36,178	36,178	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	(\$1,800)	(\$1,800)	\$42,583	\$44,383

See accompanying notes to the basic financial statements

**Village of West Farmington, Trumbull County**

*Statement of Fund Net Assets - Cash Basis*

*Proprietary Funds*

*December 31, 2004*

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds
	Water Operating	Debt Service Sinking Fund	Debt Service Reserve Fund	Water Plant Construction	
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,940	\$3,502	\$8,224	\$82	\$14,748
<i>Total Assets</i>	<u>\$2,940</u>	<u>\$3,502</u>	<u>\$8,224</u>	<u>\$82</u>	<u>\$14,748</u>
<b>Net Assets</b>					
Restricted for Debt Service		\$3,502	\$8,224		\$11,726
Restricted for Capital Projects				\$82	82
Unrestricted	\$2,940				2,940
<i>Total Net Assets</i>	<u>\$2,940</u>	<u>\$3,502</u>	<u>\$8,224</u>	<u>\$82</u>	<u>\$14,748</u>

See accompanying notes to the basic financial statements

**Village of West Farmington, Trumbull County**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2004*

	Business - Type Activities - Enterprise Funds					Total Enterprise Funds
	Water Operating	Debt Service Sinking	Debt Service Reserve	Water Plant Construction	Waste Water Treatment Plant	
<b>Operating Receipts</b>						
Charges for Services	\$137,132					\$137,132
Other Operating Receipts	6,629					6,629
<i>Total Operating Receipts</i>	<u>143,761</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>143,761</u>
<b>Operating Disbursements</b>						
Personal Services	52,705					52,705
Fringe Benefits	11,201					11,201
Contractual Services	49,218			\$78,880		128,098
Materials and Supplies	7,955					7,955
Other	382					382
<i>Total Operating Disbursements</i>	<u>121,461</u>	<u>0</u>	<u>0</u>	<u>78,880</u>	<u>0</u>	<u>200,341</u>
<i>Operating Income (Loss)</i>	22,300	0	0	(78,880)	0	(56,580)
<b>Non-Operating Receipts / (Disbursements)</b>						
Intergovernmental				33,485		33,485
Interest	22	\$31	\$16			69
Loan Proceeds				45,395		45,395
Redemption of Principal		(17,300)			(\$15,733)	(33,033)
Interest and Other Fiscal Charges		(16,723)			(1,435)	(18,158)
Miscellaneous Receipts	207					207
<i>Income (Loss) before Transfers and Advances</i>	22,529	(33,992)	16	0	(17,168)	(28,615)
Transfers In		32,500	3,600		17,168	53,268
Transfers Out	(33,600)	(2,500)				(36,100)
<i>Change in Net Assets</i>	(11,071)	(3,992)	3,616	0	0	(11,447)
<i>Net Assets Beginning of Year</i>	14,011	7,494	4,608	82	0	26,195
<i>Net Assets End of Year</i>	<u>\$2,940</u>	<u>\$3,502</u>	<u>\$8,224</u>	<u>\$82</u>	<u>\$0</u>	<u>\$14,748</u>

See accompanying notes to the basic financial statements

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**Note 1 – Reporting Entity**

The Village of West Farmington, Trumbull County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term.

The reporting entity is comprised of the primary government.

Primary Government

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

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

**Note 2 – Summary of Significant Accounting Policies**

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Gas Tax Fund, and Permissive Motor Vehicle License Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose. The Police Fund is funded by a special levy based on ad valorem taxes.

Proprietary Funds

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

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water, debt service, and water plant construction funds.

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

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

Debt Service Sinking Fund – This fund receives money transferred from the Water Fund to repay loans to the United States Department of Agriculture. (USDA)

Water Plant Construction Fund – This fund receives capital grants which are used to finance improvements to the water plant.

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

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

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

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

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

**E. Cash and Investments**

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

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

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 2004, the Village had no investments but maintained deposits in an interest bearing checking account.

Interest earnings are allocated to Village funds according to State statutes. Interest receipts credited to the General Fund during 2004 was \$275.

**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 an enterprise fund debt service reserve fund and a sinking fund, both restrictions imposed as part of the Village's debt agreements.

**G. Inventory and Prepaid Items**

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

**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. Interfund Receivables/Payables**

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

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

**L. Long-Term Obligations**

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

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

**N. Fund Balance Reserves**

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

**O. Interfund Transactions**

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

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

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

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

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and for each of the major special revenue funds 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 are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing sources or uses (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$436 for the general fund.

**Note 5 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Note 5 – Deposits and Investments (Continued)**

7. The State Treasurer's investment pool (STAR Ohio).

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the Village's deposits was \$170,001 and the bank balance was \$232,654. Of the bank balance \$100,000 was covered by federal depository insurance and \$132,654 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. 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.

**Note 6 – Property Taxes (Continued)**

The full tax rate for all Village operations for the year ended December 31, 2004, was \$11.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential and Agricultural	\$4,301,000
Other	411,000
Public Utility Property	
Personal	264,000
Tangible Personal Property Plus 80% Exempt	235,000
	<hr/>
	\$5,211,000
	<hr/> <hr/>

**Note 7 – Risk Management**

**Risk Pool Membership**

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

**Casualty Coverage**

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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



**Note 7 – Risk Management (Continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

**Note 8 – Defined Benefit Pension Plans**

A. Ohio Public Employees Retirement System

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

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

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

For the year ended December 31, 2004, 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 Village's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**Note 8 – Defined Benefit Pension Plans**

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$11,350, \$11,835, and \$11,100 respectively. The full amount has been contributed for 2004, 2003, and 2002.

**Note 9 - 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 2004 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.

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, 2003, 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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$460,084. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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.

Village of West Farmington - Trumbull County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

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**Note 10 – Debt**

The Village's long-term debt activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance: December 31, 2003	Additions	Reductions	Balance: December 31, 2004	Due Within One Year
<u>Business-type Activities</u>						
OWDA Loan - 2000	3.20%	\$44,315		\$15,733	\$28,582	\$15,733
1977 USDA Mortgage Revenue Loans	5.00%	258,200		14,800	243,400	15,900
1999 USDA Mortgage Revenue Loan	4.75%	72,800		800	72,000	800
2003 USDA Mortgage Revenue Loan	4.25%	7,605	45,395	1,700	51,300	1,800
Total Business-type Activities		<u>\$382,920</u>	<u>\$45,395</u>	<u>\$33,033</u>	<u>\$395,282</u>	<u>\$34,233</u>

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

The USDA Rural Development Temporary Mortgage Revenue Loans were obtained for the purpose of paying for the costs of constructing improvements to the Village's water system. The Loans will be repaid over the next 36 years. The Village established a debt sinking fund and a debt reserve fund in compliance with the debt covenants associated with these loans.

Village of West Farmington - Trumbull County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

**Note 10 – Debt** (continued)

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

Year	1977 Mortgage Revenue Loans		1999 Mortgage Revenue Bonds		2003 Mortgage Revenue Bonds		OWDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$15,900	\$12,170	\$800	\$3,425	\$1,800	\$2,180	\$15,924	\$1,243
2006	17,000	11,375	800	3,387	1,900	2,104	12,658	551
2007	18,100	10,525	900	3,349	2,000	2,023		
2008	19,300	9,620	1,000	3,311	2,000	1,938		
2009	20,400	8,655	1,000	3,268	2,200	1,853		
2010 - 2014	118,700	26,870	5,800	15,600	12,100	7,815		
2015 - 2019	34,000	2,215	7,200	14,165	14,900	5,011		
2020 - 2024			9,200	12,346	14,400	1,561		
2025 - 2029			11,600	10,071				
2030 - 2034			14,600	7,177				
2035 - 2039			19,100	3,343				
2040				190				
<b>Totals</b>	<b>\$243,400</b>	<b>\$81,430</b>	<b>\$72,000</b>	<b>\$79,632</b>	<b>\$51,300</b>	<b>\$24,485</b>	<b>\$28,582</b>	<b>\$1,794</b>

**Note 11 – Interfund Transfers**

During 2004 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$ 6,000
Other Enterprise Fund	<u>17,168</u>
Total transfers from the General Fund	<u>\$ 23,168</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer to the Other Enterprise Fund was for the purpose of making a loan payment.



**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***

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Farmington, Trumbull County, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 25, 2006, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments*. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village 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 Village'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 Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that must be reported under *Government Auditing Standards*.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

We intend this report solely for the information and use of management and Village Council. 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

April 25, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**VILLAGE OF WEST FARMINGTON**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 10, 2006**