

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

Financial Statements
(Audited)

For The Year Ended
December 31, 2007

AMY SCHENCK, FISCAL OFFICER



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Farmersville
44 Maple Street
Farmersville, Ohio 45325

We have reviewed the *Independent Auditor's Report* of the Village of Farmersville, Montgomery County, prepared by Julian & Grube, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 12, 2008

This Page is Intentionally Left Blank.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1 - 2
Combined Statement of Cash Fund Balances - All Fund Types - December 31, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types - For The Year Ended December 31, 2007	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary Fund Type - For The Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual - For The Year Ended December 31, 2007	6
Notes to the Financial Statements	7 - 16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17 - 18
Schedule of Findings and Responses	19 - 21
Status of Prior Audit Findings	22

This Page is Intentionally Left Blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Members of Council and Mayor
Village of Farmersville
44 Maple Street
Farmersville, OH 45325

We have audited the accompanying financial statements of the Village of Farmersville, Montgomery County, Ohio, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Village of Farmersville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2B, the Village of Farmersville has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require representing entity-wide statements and also presenting the Village of Farmersville's larger (i.e. major) funds separately. While the Village of Farmersville does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Farmersville has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported to its non-GAAP basis is in the second following paragraph.

Village of Farmersville
Independent Auditor's Report
Page Two

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Farmersville as of December 31, 2007, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Farmersville, Montgomery County, Ohio as of December 31, 2007, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements for the year then ended on accounting basis Note 2B describes.

The Village of Farmersville has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2008, on our consideration of the Village of Farmersville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
February 14, 2008

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2007

<u>Cash and Cash Equivalents</u>	<u>2007</u>
Cash and Cash Equivalents	\$ 257,817
Total Cash and Cash Equivalents	<u>\$ 257,817</u>
 <u>Cash Fund Balances</u>	
<u>Governmental Fund Types:</u>	
General Fund	\$ 31,130
Special Revenue Funds	<u>70,724</u>
Total Governmental Fund Types	<u>101,854</u>
 <u>Proprietary Fund Type:</u>	
Enterprise Funds	<u>155,963</u>
Total Proprietary Fund Type	<u>155,963</u>
Total Cash Fund Balances	<u>\$ 257,817</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 77,490	\$ 61,141	\$ -	\$ 138,631
Income Tax	145,609	-	-	145,609
Intergovernmental	39,598	89,624	382,901	512,123
Special assessments	-	21,230	-	21,230
Charges for services	24,231	-	-	24,231
Fines, licenses, and permits	455	-	-	455
Interest	4,347	256	-	4,603
Miscellaneous	931	-	11	942
Total cash receipts	<u>292,661</u>	<u>172,251</u>	<u>382,912</u>	<u>847,824</u>
Cash disbursements:				
Current:				
Security of persons and property	30,325	79,206	-	109,531
Transportation	-	67,698	-	67,698
General government	115,376	1,793	-	117,169
Capital outlay	50	-	509,429	509,479
Debt service:				
Principal retirement	-	13,769	-	13,769
Interest	-	5,146	-	5,146
Total cash disbursements	<u>145,751</u>	<u>167,612</u>	<u>509,429</u>	<u>822,792</u>
Total cash receipts (under)/over cash disbursements	<u>146,910</u>	<u>4,639</u>	<u>(126,517)</u>	<u>25,032</u>
Other financing receipts/(disbursements):				
Operating transfers in	-	-	126,517	126,517
Operating transfers out	(126,517)	-	-	(126,517)
Total other financing receipts/(disbursements)	<u>(126,517)</u>	<u>-</u>	<u>126,517</u>	<u>-</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	20,393	4,639	-	25,032
Cash fund balances, January 1, 2007	<u>10,737</u>	<u>66,085</u>	<u>-</u>	<u>76,822</u>
Cash fund balances, December 31, 2007	<u>\$ 31,130</u>	<u>\$ 70,724</u>	<u>\$ -</u>	<u>\$ 101,854</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 350,593
Other miscellaneous	2,114
Total operating cash receipts	352,707
Operating cash disbursements:	
Personal services	91,965
Employee fringe benefits	39,017
Contractual services	132,372
Supplies and material	72,896
Capital outlay	127,363
Miscellaneous	73
Total operating cash disbursements	463,686
Operating loss	(110,979)
Nonoperating cash receipts/(disbursements):	
Intergovernmental receipts	30,025
Miscellaneous receipts	7,116
Proceeds of notes	115,031
Debt service:	
Principal	(47,356)
Interest	(14,027)
Total nonoperating cash receipts/(disbursements)	90,789
Net cash receipts (under) cash disbursements	(20,190)
Cash fund balances, January 1, 2007	176,153
Cash fund balances, December 31, 2007	\$ 155,963

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

Fund Types	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2007 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2007 Appropriations	Total		Actual 2007 Disbursements	Encumbrances Outstanding at 12/31/07	Total
Governmental:												
General	\$ 10,737	\$ 262,239	\$ 272,976	\$ 292,661	\$ 30,422	\$ -	\$ 266,631	\$ 266,631	\$ 272,268	\$ -	\$ 272,268	\$ (5,637)
Special Revenue	66,085	167,059	233,144	172,251	5,192	-	178,294	178,294	167,612	-	167,612	10,682
Capital Projects	-	509,418	509,418	509,429	11	-	509,429	509,429	509,429	-	509,429	-
Proprietary:												
Enterprise	176,153	356,335	532,488	504,879	148,544	-	451,610	451,610	525,069	-	525,069	(73,459)
Total	\$ 252,975	\$ 1,295,051	\$ 1,548,026	\$ 1,479,220	\$ 184,169	\$ -	\$ 1,405,964	\$ 1,405,964	\$ 1,474,378	\$ -	\$ 1,474,378	\$ (68,414)
(Memorandum Only)												

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Farmersville, Montgomery County, Ohio (the "Village") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: water and sewer utilities, refuse services, street maintenance and repair, park operations, emergency medical services, fire protection and police services, as well as other general government services. The Village contracts with the Jackson Township police department to provide security of persons and property. Also, the Village contracts with Farmersville Fire Association for fire protection and EMS Services.

The Village is a participant in the Farmersville/Jackson Township Joint Park Board. The Park Levy proceeds are received by the Township and expenditures are approved and processed by the Township.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village:

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Village had the following significant special revenue funds:

Street Construction, Maintenance & Repair Fund - This fund receives semi-annual tax settlements from the County Auditor and rollback and homestead reimbursements for reductions in property taxes. This fund is used to maintain and repair roads, road equipment and machinery.

Police Operating Levy - This fund receives semi-annual tax settlements from the County Auditor and rollback and homestead reimbursements for reductions in property taxes. This fund is used to pay Jackson Township for police protection services.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant capital project fund in 2007:

Walnut Street Phase II Project Fund - This fund received grants from Ohio Public Works Commission to help reconstruct the Village's Walnut Street.

Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the costs of providing the citizens of the Village with water services.

Sewer Fund - This fund receives charges for services from residents to cover the costs of providing the citizens of the Village with sewer services.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Montgomery County Auditor waived this requirement for 2007.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted supplemental appropriations during 2007.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2007.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$4,603 for the year ended December 31, 2007.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 3 - COMPLIANCE

In noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40, the Village had expenditures in excess of appropriations at December 31, 2007 and throughout the year.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2007</u>
Deposits: Demand deposits	\$ 158,076
Investments: STAR Ohio	<u>99,741</u>
Total Cash and Cash Equivalents	<u>\$ 257,817</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio are valued at amounts reported by the State Treasurer.

NOTE 5 - LOCAL INCOME TAX

This locally levied tax of 1% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. The Village's income tax is administrated in part by the Village of Germantown. Tax receipts are credited to the Village's general fund and amounted to \$145,609.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 6 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, was 18.75% for 2006. This percentage was reduced to 12.5% for 2007, and will be 6.25% for 2008, and zero for 2009. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 7 - DEBT OBLIGATIONS

At December 31, 2007, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/2007</u>
2007 Ohio Water Department Authority (OWDA) note for sanitary sewer improvements.	\$ 113,069
2005 US Bank bonds for various purposes due in semi-annual installments of \$10,348 through 2010 bearing interest at 3.98%.	48,789
2000 US Bank bonds for various purposes due in annual installments of \$13,679 through 2019 bearing interest at 6.56%.	111,237
1998 OWDA note for water improvements due in semi-annual installments of \$10,202 through 2014 bearing interest at 5.66%.	101,368
1998 Ohio Public Works Commission (OPWC) note for water improvements, due in semi-annual installments of \$7,368 through 2018, bearing no interest.	154,741
1992 OPWC note for sewer improvements, due in semi-annual installments of \$3,175, due in 2012, bearing no interest.	<u>31,750</u>
Total	<u>\$ 560,954</u>

Transactions for the year ended December 31, 2007 are summarized as follows:

	<u>Balance at 12/31/2006</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/2007</u>
Sewer Note - OWDA - 2007	\$ -	\$115,031	\$ (1,962)	\$ 113,069
Various Bonds - US Bank - 2005	66,998	-	(18,209)	48,789
Various Bonds - US Bank - 2000	117,225	-	(5,988)	111,237
Water Note - OWDA - 1998	115,248	-	(13,880)	101,368
Water Note - OPWC - 1998	169,477	-	(14,736)	154,741
Sewer Note - OPWC - 1992	<u>38,100</u>	<u>-</u>	<u>(6,350)</u>	<u>31,750</u>
Total	<u>\$ 507,048</u>	<u>\$115,031</u>	<u>\$ (61,125)</u>	<u>\$ 560,954</u>

A portion of the US Bank 2005 and 2000 various bonds is paid out of the special revenue fund - Street Construction, Maintenance and Repair fund. Principal and interest allocated to the Street Construction Maintenance and Repair fund was \$13,769 and \$5,146, respectively.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 7 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2007, are as follows:

Year Ending December 31,	2000		1998		1998	1992
	Bonds - US Bank		Note - OWDA		Note - OPWC	Note - OPWC
	Principal	Interest	Principal	Interest	Principal	Principal
2008	\$ 6,381	\$ 7,298	\$ 14,273	\$ 6,131	\$ 14,736	\$ 6,350
2009	6,800	6,879	15,081	5,323	14,736	6,350
2010	7,246	6,433	15,935	4,469	14,736	6,350
2011	7,721	5,958	16,837	3,567	14,736	6,350
2012	8,229	5,450	17,789	2,615	14,736	6,350
2013-2017	49,977	18,418	21,453	4,263	73,680	-
2018-2019	24,883	2,475	-	-	7,381	-
TOTALS	\$ 111,237	\$ 52,911	\$ 101,368	\$ 26,368	\$ 154,741	\$ 31,750

Year Ending December 31,	2005		Totals	
	Bonds - US Bank		Principal	Interest
	Principal	Interest	Principal	Interest
2008	\$ 18,941	\$ 1,755	\$ 60,681	\$ 15,184
2009	19,702	994	62,669	13,196
2010	10,146	202	54,413	11,104
2011	-	-	45,644	9,525
2012	-	-	47,104	8,065
2013-2017	-	-	145,110	22,681
2018-2019	-	-	32,264	2,475
TOTALS	\$ 48,789	\$ 2,951	\$ 447,885	\$ 82,230

The 2007 OWDA sanitary sewer improvement note has a total principal value of \$120,000 of which the Village has received \$114,974 as of December 31, 2007. The loan also had \$57 of capitalized interest accumulated during 2007. Upon final disbursement, OWDA will finalize financing terms and payment requirements.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 8 - RETIREMENT SYSTEM

The Village's salaried employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007, OPERS members contributed 9.5% of their gross salaries. The Village contributed an amount equal to 13.85% of participants' gross salaries for 2007. At December 31, 2007, all amounts for the year ended 2007 have been paid.

NOTE 9 - RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity.

The Plan provides property, liability, errors and omissions, law enforcement, automobile, excessive liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgements, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 or property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005, the latest information available:

	<u>2006</u>	<u>2005</u>
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$ 6,290,528</u>	<u>\$ 5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 10 - INTERFUND TRANSACTIONS

The Village had the following interfund transactions for the year ended December 31, 2007:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 126,517
<u>Capital Project Fund</u>		
Walnut Street Phase II fund	<u>126,517</u>	<u>-</u>
Total	<u>\$ 126,517</u>	<u>\$ 126,517</u>

All transfers and advances are allowable in accordance with Sections 5705.14, 5705.15, 5705.16 of the Ohio Revised Code.

NOTE 11 - CONTINGENT LIABILITY

LITIGATION

The Village is not currently involved in litigation.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of Council and Mayor
Village of Farmersville
44 Maple Street
Farmersville, OH 45325

We have audited the financial statements of the Village of Farmersville as of and for the year ended December 31, 2007 and have issued our report thereon dated February 14, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Farmersville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Farmersville's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Village of Farmersville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Farmersville's ability to initiate, authorize, record, process or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Village of Farmersville's financial statements that is more than inconsequential will not be prevented or detected by the Village of Farmersville's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2007-VOF-003 to be a significant deficiency in internal control over financial reporting.

Members of Council and Mayor
Village of Farmersville

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Farmersville's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we consider item 2007-VOF-003 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Farmersville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2007-VOF-001 and 2007-VOF-002.

We noted a certain matter that we reported to the management of The Village of Farmersville in a separate letter dated February 14, 2008.

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

This report is intended solely for the information and use of management and Council of The Village of Farmersville and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
February 14, 2008

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2007-VOF-001

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

At December 31, 2007, the Village had disbursements in excess of appropriations in the following funds:

<u>Fund Type/Fund/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Transfers Out	\$106,517	\$ 126,517	\$ 20,000
<u>Enterprise</u>			
<u>Sewer Fund</u>			
Capital Outlay	15,000	119,391	104,391

With disbursements exceeding appropriations, the Village is spending monies that have not been lawfully appropriated by Village Council. This may result in unnecessary spending or overspending which may result in a negative fund balance.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: For 2007, the Village did not expend more than appropriations in any line item on a cash basis excluding audit adjustments. This citation was due to the unrecording of the on behalf loan payments paid by OWDA and in-kind transactions and subsequent audit adjustments. The Village Council will attempt to pass amended appropriations as needed in accordance with the Ohio Revised Code.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
---	--

Finding Number	2007-VOF-002
----------------	--------------

Ohio Revised Code Section 5705.40 in part requires that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all un-liquidated and outstanding contracts or obligations against them.

The Village had total expenditures exceeding the total appropriations throughout the year and at year end.

By not timely and properly modifying the Village's appropriations, the Village is not adequately monitoring its expenditures versus appropriations. This may result in appropriating monies in excess of estimated resources, and having expenditures exceed appropriations, and possibly, fund deficits.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations records and amending the appropriations throughout the year and prior to year end. In addition, the Village should monitor its budgetary process on a regular basis.

Client response: The Village Fiscal Officer is attempting to make appropriation modifications as approved by Council and certify them to the county in a more timely manner.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2007-VOF-003

Significant Deficiency/Material Weakness

During the course of our audit, we identified a number of material misstatements in the financial statements for the year under audit that were not initially identified by the Village's internal control. The audit adjustments were necessary to correct errors in the Village's financial statements. A description of each material adjustment follows:

OWDA Debt - Audit adjustments were necessary to correct on behalf payments made for the Village by OWDA. Proceeds of Notes and Capital Outlay were understated in the Sewer fund by \$115,031.

Debt Service - Audit adjustments were necessary to reclass debt service payments between principal and interest, due to the Village recording principal payments as interest payments on their books. Debt service principal was understated and debt service interest was overstated in the Street fund, Water fund and Sewer fund by \$13,769, \$30,946 and \$16,410, respectively.

In-Kind Transaction - The Village incurred an in-kind contribution that was not recorded in accordance with Auditor of State Bulletin 2002-04 in the amount of \$20,000 which resulted in an audit adjustment.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Client Response: Of total on behalf payments, \$412,926 of \$527,957 was recorded and budgeted properly. Management concurs with the finding and will attempt to record transactions properly in accordance with guidance provided by the UAN manual and the Auditor of State.

**VILLAGE OF FARMERSVILLE
MONTGOMERY COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-VOF-001	Ohio Revised Code Section 5705.41 (B) requires in part that no subdivision is to expend monies unless it has been appropriated.	No	Repeated as finding 2007-VOF-001
2006-VOF-002	Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and it is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	Yes	N/A
2006-VOF-003	Appropriate financial reports were not provided to the Village Council to provide effective monitoring over financial operations.	Yes	N/A
2006-VOF-004	Failure to record transactions properly in accordance with guidance provided by the UAN manual.	No	Repeated as finding 2007-VOF-003



Mary Taylor, CPA
Auditor of State

VILLAGE OF FARMERSVILLE

MONTGOMERY 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
MAY 22, 2008**