



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF FAYETTE  
FULTON COUNTY

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# Mary Taylor, CPA Auditor of State

Village of Fayette  
Fulton County  
P.O. Box 87  
Fayette, Ohio 43521-0087

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 11, 2008

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Fayette  
Fulton County  
P.O. Box 87  
Fayette, Ohio 43521-0087

To the Village Council:

We have audited the accompanying financial statements of the Village of Fayette, Fulton County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village'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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village 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 presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village 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 villages to reformat their statements. The Village 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 pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Fayette, Fulton County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, the Village reclassified its expendable trust fund in 2006.

The Village 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 our report dated September 11, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

September 11, 2008



**VILLAGE OF FAYETTE  
FULTON COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$62,930	\$27,768		\$90,698
Municipal Income Tax	295,416		\$31,000	326,416
Intergovernmental	76,234	65,143	93,770	235,147
Charges for Services	2,012	30,858		32,870
Fines, Licenses and Permits	3,721			3,721
Earnings on Investments	37,998	10,574		48,572
Miscellaneous	12,747	10,750		23,497
	<u>491,058</u>	<u>145,093</u>	<u>124,770</u>	<u>760,921</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	212,960			212,960
Leisure Time Activities		66,190		66,190
Community Environment	3,291			3,291
Transportation	51,056	51,560		102,616
General Government	249,399	522		249,921
Debt Service:				
Redemption of Principal			96,314	96,314
Interest and Fiscal Charges			425	425
Capital Outlay	12,961	2,617	140,933	156,511
	<u>529,667</u>	<u>120,889</u>	<u>237,672</u>	<u>888,228</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(38,609)</u>	<u>24,204</u>	<u>(112,902)</u>	<u>(127,307)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Loan Proceeds			175,060	175,060
Sale of Fixed Assets	826			826
Other Financing Sources	5,500			5,500
Other Financing Uses		(5,500)		(5,500)
	<u>6,326</u>	<u>(5,500)</u>	<u>175,060</u>	<u>175,886</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(32,283)	18,704	62,158	48,579
Fund Cash Balances, January 1	534,861	176,859	86,815	798,535
<b>Fund Cash Balances, December 31</b>	<u><b>\$502,578</b></u>	<u><b>\$195,563</b></u>	<u><b>\$148,973</b></u>	<u><b>\$847,114</b></u>
Reserve for Encumbrances, December 31	<u>\$8,599</u>	<u>\$1,570</u>		<u>\$10,169</u>

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$303,120
Fines, Licenses and Permits	1,003
Miscellaneous	11,877
	316,000
Total Operating Cash Receipts	316,000
<b>Operating Cash Disbursements:</b>	
Personal Services	80,832
Employee Fringe Benefits	417
Contractual Services	57,908
Supplies and Materials	63,835
	202,992
Total Operating Cash Disbursements	202,992
Operating Income	113,008
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	53,078
Loan Proceeds	16,000
Other Non-Operating Cash Receipts	17,830
	86,908
Total Non-Operating Cash Receipts	86,908
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	6,346
Redemption of Principal	72,032
Interest and Other Fiscal Charges	46,034
Other Non-Operating Cash Disbursements	64,826
	189,238
Total Non-Operating Cash Disbursements	189,238
Net Cash Receipts Over Cash Disbursements	10,678
Fund Cash Balances, January 1	447,892
<b>Fund Cash Balances, December 31</b>	<b>\$458,570</b>
Reserve for Encumbrances, December 31	\$1,388

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$59,327	\$33,533		\$92,860
Municipal Income Tax	295,303		\$11,222	306,525
Intergovernmental	82,973	58,934		141,907
Charges for Services	1,190	33,408		34,598
Fines, Licenses and Permits	7,261	663		7,924
Earnings on Investments	39,993	8,813		48,806
Miscellaneous	10,856	13,435		24,291
<b>Total Cash Receipts</b>	<u>496,903</u>	<u>148,786</u>	<u>11,222</u>	<u>656,911</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	229,314			229,314
Leisure Time Activities	21	67,848		67,869
Community Environment	3,873			3,873
Transportation	48,370	46,439		94,809
General Government	226,057	519		226,576
Capital Outlay	4,944	3,896	54,255	63,095
<b>Total Cash Disbursements</b>	<u>512,579</u>	<u>118,702</u>	<u>54,255</u>	<u>685,536</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(15,676)</u>	<u>30,084</u>	<u>(43,033)</u>	<u>(28,625)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Loan Proceeds			48,837	48,837
Other Financing Uses		(240)		(240)
<b>Total Other Financing Receipts / (Disbursements)</b>		<u>(240)</u>	<u>48,837</u>	<u>48,597</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(15,676)	29,844	5,804	19,972
Fund Cash Balances, January 1	550,537	147,015	81,011	778,563
<b>Fund Cash Balances, December 31</b>	<u><u>\$534,861</u></u>	<u><u>\$176,859</u></u>	<u><u>\$86,815</u></u>	<u><u>\$798,535</u></u>
Reserve for Encumbrances, December 31	<u>\$5,402</u>	<u>\$464</u>		<u>\$5,866</u>

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$319,942
Fines, Licenses and Permits	459
Miscellaneous	13,124
	333,525
Total Operating Cash Receipts	333,525
<b>Operating Cash Disbursements:</b>	
Personal Services	101,954
Contractual Services	60,531
Supplies and Materials	20,139
	182,624
Total Operating Cash Disbursements	182,624
Operating Income	150,901
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	53,826
Loan Proceeds	48,125
Miscellaneous Receipts	1,286
Other Non-Operating Cash Receipts	6,916
	110,153
Total Non-Operating Cash Receipts	110,153
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	72,804
Redemption of Principal	100,394
Interest and Other Fiscal Charges	46,701
Other Non-Operating Cash Disbursements	46,943
	266,842
Total Non-Operating Cash Disbursements	266,842
Net Cash Disbursements Over Cash Receipts	(5,788)
Fund Cash Balances, January 1	453,680
<b>Fund Cash Balances, December 31</b>	<b>\$447,892</b>
Reserve for Encumbrances, December 31	\$8,855

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fayette, Fulton County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities; park operations; and police services. The Village contracts with Gorham Township for fire protection services.

The Village participates in the Ohio Government Risk Management Plan and the Buckeye Ohio Risk Management Agency, Inc. public entity risk pools. Note 9 to the financial statements provide additional information for these entities.

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

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

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

The Village invested in certificates of deposit and a repurchase agreement. Certificates are deposited are reported at cost. The Village's repurchase agreement is reported at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**2. Special Revenue Funds**

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

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

Parks and Pool Fund - This fund receives tax levy money and charges for service monies for the purpose of providing leisure time activities for the general public and maintaining the Village parks.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Water Treatment Plant Repairs Capital Project Fund - This fund receives loan proceeds from the Ohio Water Development Agency (OWDA) for various repairs on the Water Treatment Plant.

Water Treatment Plant Softener Rehabilitation Capital Project Fund - This fund receives loan proceeds from the Ohio Water Development Agency (OWDA) and grant proceeds from the Ohio Public Works Commission (OPWC) for improvements on the wastewater softener.

**5. Enterprise Funds**

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

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

Sewer Fund - This fund receives charges for services from users to cover sewer service costs.

Water Enhancement Fund - This fund receives charges for charges for services from users to cover water improvements or major repairs.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2007 and 2006 budgetary activity appears in Note 4.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. RECLASSIFICATION OF FUND BALANCE**

Pursuant to Governmental Accounting Standards Board Statement Number 34, the Village has reclassified its expendable trust fund to a special revenue fund for 2006. The effect on fund balances is as follows:

	Special Revenue	Expendable Trust
Fund Balances as reported at December 31, 2005	\$146,037	\$978
Reclassification of Fund Balances	978	(\$978)
Restated Fund Balances at January 1, 2006	\$147,015	

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2007	2006
Demand deposits	\$640,799	\$996,427
Certificates of deposit	250,000	250,000
Total deposits	890,799	1,246,427
Repurchase Agreement	414,885	
Total Deposits and Investments	\$1,305,684	\$1,246,427

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.



**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$488,000	\$497,384	\$9,384
Special Revenue	126,030	145,093	19,063
Capital Projects	158,000	299,830	141,830
Enterprise	827,600	402,908	(424,692)
Total	\$1,599,630	\$1,345,215	(\$254,415)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$634,179	\$538,266	\$95,913
Special Revenue	171,014	127,959	43,055
Capital Projects	156,830	237,672	(80,842)
Enterprise	622,192	393,618	228,574
Total	\$1,584,215	\$1,297,515	\$286,700

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$499,510	\$496,903	(\$2,607)
Special Revenue	131,775	148,786	17,011
Capital Projects	12,000	60,059	48,059
Enterprise	590,030	443,678	(146,352)
Total	\$1,233,315	\$1,149,426	(\$83,889)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$625,799	\$517,981	\$107,818
Special Revenue	178,910	119,406	59,504
Capital Projects	332,500	54,255	278,245
Enterprise	674,717	458,321	216,396
Total	\$1,811,926	\$1,149,963	\$661,963

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. PROPERTY TAX**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**6. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**7. DEBT**

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$793,000	5%
Ohio Water Development Authority (OWDA) Loans	225,334	0%-5.14%
Ohio Public Works Commission (OPWC) Loans	125,967	0%
Huntington Bank Loans	122,401	5.00-5.23%
Total	\$1,266,702	

The Mortgage Revenue Bonds consist of Waterworks System First Mortgage Revenue Bonds for the purpose of paying a portion of the costs of improvements made on the municipal waterworks system. Improvements consisted of construction of a water treatment plant, storage facilities, and waterlines.

Ohio Water Development Authority (OWDA) loan #3731 relates to the combined sewer separation project. OWDA approved up to \$117,582 in loans to the Village; however, the Village only borrowed \$67,712. The Village will repay the loan in semiannual installments of \$2,259, including interest, over 30 years. The Village has agreed to set sewer rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. DEBT – (Continued)**

Ohio Water Development Authority (OWDA) loan #4172 relates to the West End sanitary sewer extension project. OWDA approved up to \$95,392 in loans to the Village; however, the Village only borrowed \$58,820 for this project. The Village will repay the loan in semiannual installments of \$1,471, including interest, over 20 years. The Village has agreed to set sewer rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) loan #4573 relates to the wastewater treatment plant repairs project. OWDA approved up to \$53,344 in loans to the Village; however, the Village only borrowed \$48,837 for this project. The Village will repay the loan in semiannual installments of \$1,488, including interest, over 20 years. The Village has agreed to set water enhancement rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) loan #4706 relates to the wastewater treatment plant repairs project. OWDA approved up to \$78,692 in loans to the Village; however, the Village only has only borrowed \$65,736 for this project. The Village will repay the loan in semiannual installments of \$2,397, including interest, over 20 years. The scheduled payment below assumes that the full \$78,692 will be borrowed. The OWDA will adjust the scheduled payment to reflect any revisions in amounts the Village actually borrows. The Village has agreed to set water enhancement rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans #CE32D and #CE38E relate to the combined sewer separation project recently conducted. The OPWC has approved \$113,990 for #CE32D and \$52,514 for #CE38E in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,850 for #CE32D and \$1,313 for #CE38E over 20 years. Sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village obtained a loan from Huntington Bank in 2006 to help with expenses for the wastewater treatment plant repairs project. The loan was originally for \$76,808; however, the Village only borrowed \$48,125, which was repaid in 2006 along with \$456 in interest.

In 2007, the Village obtained three loans from Huntington Bank. The first loan was for \$12,715 which was for the purchase of a new Police Trailblazer. The Village will repay the loan in monthly payments of \$241 over five years. The second loan was for \$95,000 which was for expenditures made on the new curbing project. The Village will repay this loan in annual payments of \$9,376 over four years with a balloon payment of \$80,221 in year five. The third loan was for \$16,000 which was for repayment of debt on the wastewater treatment repairs project. The Village will repay the loan in semiannual payments of \$2,235 over four years.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. DEBT – (Continued)**

Amortization of the above debt, including interest, follows:

Year ending December 31:	Mortgage Revenue Bonds	OWDA Loans	OPWC Loans	Huntington Bank Loans
2008	\$84,650	\$15,226	\$9,638	\$16,743
2009	84,400	15,226	8,325	16,743
2010	84,050	15,226	8,325	16,743
2011	84,600	15,226	8,325	16,740
2012	84,000	15,226	8,325	81,430
2013-2017	422,500	76,131	41,626	
2018-2022	253,350	69,968	38,776	
2023-2027		38,879	2,627	
2028-2032		22,586		
2033		3,943		
Total	<u>\$1,097,550</u>	<u>\$287,637</u>	<u>\$125,967</u>	<u>\$148,399</u>

**8. RETIREMENT SYSTEMS**

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**9. RISK MANAGEMENT**

**Risk Pool Membership**

**Ohio Government Risk Management Plan**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**9. RISK MANAGEMENT – (Continued)**

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, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, 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 the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

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

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Buckeye Ohio Risk Management Agency**

The Village is also a member of the Buckeye Ohio Risk Management Agency, Inc. (the Pool). The Pool assumes the risk of loss up to the limits of the Village of Fayette's Employee Health Plan policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- Medical benefits;
- Prescription drug; and
- Dental benefits

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**9. RISK MANAGEMENT – (Continued)**

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31 (the latest information available):

	<u>2006</u>	<u>2005</u>
Cash and investments	\$2,912,426	\$3,078,143
Actuarial liabilities	\$2,982,949	\$2,488,714

**10. COMPLIANCE**

- The Village did not establish separate capital project funds for OWDA and Issue II monies.
- Appropriations exceeded estimated and actual resources.
- Posted appropriations exceeded Council approved appropriations.
- Actual expenditures exceeded appropriations



# Mary Taylor, CPA

Auditor of State

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

Village of Fayette  
Fulton County  
P.O. Box 87  
Fayette, Ohio 43521-0087

To the Village Council:

We have audited the financial statements of the Village of Fayette, Fulton County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 11, 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 and the Village reclassified its expendable trust fund. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village'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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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'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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain matters that we reported to the Village's management in a separate letter dated September 11, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-001 through 2007-004.

We also noted certain noncompliance and other matters not required to be included in this report that we reported to the Village's management in a separate letter dated September 11, 2008.

We intend this report solely for the information and use of the finance committee, management, and Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 11, 2008



VILLAGE OF FAYETTE  
FULTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2007-001

**Non Compliance Citation and Material Weakness**

Ohio Revised Code § 5705.10(D) provides all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Ohio Revised Code § 5705.09(F), then requires the subdivision create a special fund for each class of such revenue.

Auditor of State Bulletin 2000-008 further states all local governments participating in "on-behalf of" programs (i.e., Ohio Water Development Agency (OWDA)), must, for each project awarded, establish a capital project fund to account for both grants, loans, and the local matching funds.

Auditor of State Bulletin 2004-004 further states all local governments participating in Issue 2 Funds (Ohio Public Works Commission) must, for each project awarded, establish a capital project fund to account for both the Issue 2 monies and the local matching funds.

In 2006, the Village received \$48,837 in Ohio Water Development Agency (OWDA) loans which were improperly accounted for in the Enterprise Water Enhancement fund instead of a separate capital project fund. In 2007, the Village received \$67,770 of Ohio Public Works Commission (OPWC) grant funds. The Village failed to establish a separate capital project fund for these monies. Of this grant, \$10,177 was improperly accounted for in the Sewer fund and the remaining \$57,593 was not recorded on the Village's financial statements.

Adjustments were included in the accompanying financial statements to reflect this activity in a separate fund.

We recommend the Village follow the guidelines of Auditor of State Bulletins 2000-008 and 2004-004, which describe the proper accounting treatment for Issue 2 funds.

FINDING NUMBER 2007-002

**Non Compliance Citation**

Ohio Revised Code § 5705.36 (A) (2) states upon a determination by the fiscal officer of a subdivision that revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Revised Code §5705.36(A)(4) states upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**FINDING NUMBER 2007-002  
 (Continued)**

Additionally, Ohio Revised Code §5705.39, states in part the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures there from as certified by the budget commission or in case of appeal, by the board of tax appeals.

The actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current level of appropriations in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Actual Resources</u>	<u>Estimated Resources</u>	<u>Appropriations</u>
<b>As of December 31, 2006:</b>				
	Parks and Pool Fund	\$75,664	\$73,879	\$98,380
	Utility Improvement Fund	91,410	92,188	
<b>As of December 31, 2007:</b>				
	Water Enhancement Fund	\$43,422	\$246,594	\$89,893

The Fiscal Officer should have requested an amended certificate of estimated resources from the commission which would have reduced the estimated resources to the level of the actual resources available for appropriations for the Utility Improvement and Water Enhancement fund. Appropriations in the Utility Improvement and Water Enhancement funds should have also been reduced to the level of the actual resources available for appropriations. Appropriations in the Park and Pool fund should have been reduced to the level of estimated resources.

We recommend the Fiscal Officer compare actual revenues with estimated revenues during the year and make changes when necessary.

**FINDING NUMBER 2007-003**

**Non Compliance Citation**

Ohio Revised Code §5705.40 provides appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The legally adopted appropriations were different than the posted appropriations in several Village funds and the Village failed to follow the provisions provided for the change of such appropriation measures found in Chapter 5705 of the Ohio Revised Code. The legally adopted appropriations were different than the posted appropriations in the following funds:

**FINDING NUMBER 2007-003  
 (Continued)**

<u>Year</u>	<u>Fund</u>	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Variance</u>
<b>As of December 31, 2006:</b>				
	Utility Improvement Fund		\$104,500	(\$104,500)
	Water Enhancement Fund	\$126,000	179,125	(53,125)
	Debt Service Reserve Fund	1,000	78,000	(77,000)
<b>As of December 31, 2007:</b>				
	Water Enhancement Fund	\$89,893	\$124,893	(\$35,000)

We recommend the Fiscal Officer post Council approved appropriations to the Village's financial ledgers in order to eliminate the potential of expenditures exceeding appropriations and to provide a more accurate picture of the Village's financial position.

**FINDING NUMBER 2007-004**

**Non Compliance Citation**

Ohio Revised Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2006 and 2007, the Village made expenditures which exceeded appropriations in the following funds by the following amounts:

<u>Year</u>	<u>Fund</u>	<u>Approved Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
<b>As of December 31, 2006:</b>				
	Water Treatment Plant Repairs Capital Project Fund		\$48,837	(\$48,837)
	Debt Service Reserve Fund	\$1,000	77,000	(76,000)
<b>As of December 31, 2007:</b>				
	Water Treatment Softener Upgrade Capital Project Fund		\$124,938	(\$124,938)

Failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures exceeding available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Village Council approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials' Response:**

We did not receive a response from Officials' to the findings reported above.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF FAYETTE**

**FULTON 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  
OCTOBER 7, 2008**