VILLAGE OF FAYETTE
FULTON COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010

Perry & Associates
Certified Public Accountants, A.C.

Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Fayette, Fulton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. 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.

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 Fayette is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

December 3, 2012

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VILLAGE OF FAYETTE
FULTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

June 29, 2012

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, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. 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.

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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and reserve for encumbrances as of December 31,2010 of the Village of Fayette, Fulton County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, 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.

Respectfully Submitted,

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

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, 2011

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	$ 38,541	$ 16,719	$ -	$ 55,260
Municipal Income Tax	291,225	-	17,271	308,496
Intergovernmental	88,493	69,019	370,742	528,254
Charges for Services	370	18,118	-	18,488
Fines, Licenses and Permits	7,363	50	-	7,413
Earnings on Investments	1,297	174	-	1,471
Miscellaneous	9,219	15,138	4,674	29,031
Total Cash Receipts	436,508	119,218	392,687	948,413
Cash Disbursements:				
Current:				
Security of Persons and Property	207,505	-	-	207,505
Leisure Time Activities	-	40,490	-	40,490
Community Environment	11,982	-	-	11,982
Transportation	23,662	49,149	-	72,811
General Government	118,436	532	-	118,968
Capital Outlay	2,372	6,530	427,094	435,996
Debt Service:				
Principal Retirement	-	-	290,368	290,368
Interest and Fiscal Charges	-	-	755	755
Total Cash Disbursements	363,957	96,701	718,217	1,178,875
Excess of Receipts Over/(Under) Disbursements	72,551	22,517	(325,530)	(230,462)
Other Non-Operating Receipts(Disbursements):				
Note Proceeds	-	-	380,237	380,237
Sale of Capital Assets	16	-	-	16
Transfers In	-	-	50,000	50,000
Transfers Out	(50,000)	-	(58,473)	(108,473)
Total Non-Operating Receipts (Disbursements)	(49,984)	-	371,764	321,780
Net Change in Fund Cash Balances	22,567	22,517	46,234	91,318
Fund Cash Balances, January 1	570,114	207,794	109,698	887,606
Fund Cash Balances, December 31				
Restricted	-	230,311	121,945	352,256
Committed	-	-	33,987	33,987
Unassigned	592,681	-	-	592,681
Fund Cash Balances, December 31	$ 592,681	$ 230,311	$ 155,932	$ 978,924

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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Enterprise
Operating Cash Receipts:	
Charges for Services	$ 367,141
Fines, Licenses and Permits	549
Miscellaneous	8,912
Total Operating Cash Receipts	376,602
Operating Cash Disbursements:	
Personal Services	152,073
Transportation	1,270
Contractual Services	76,261
Supplies and Materials	48,287
Total Operating Cash Disbursements	277,891
Operating Income	98,711
Non-Operating Receipts/(Disbursements):	
Miscellaneous Receipts	137
Principal Retirement	(75,291)
Interest and Other Fiscal Charges	(37,374)
Other Financing Sources	3,156
Other Financing Uses	(2,250)
Total Non-Operating Receipts/(Disbursements)	(111,622)
Income (Loss) before Transfers	(12,911)
Transfers In	143,073
Transfers Out	(84,600)
Net Change in Fund Cash Balances	45,562
Fund Cash Balances, January 1	613,354
Fund Cash Balances, December 31	$ 658,916

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, 2010

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	$ 40,076	$ 17,462	$ -	$ 57,538
Municipal Income Tax	268,349	-	15,900	284,249
Intergovernmental	94,468	73,821	48,296	216,585
Charges for Services	459	20,809	-	21,268
Fines, Licenses and Permits	7,757	50	-	7,807
Earnings on Investments	2,530	537	-	3,067
Miscellaneous	59,946	11,063	539	71,548
Total Cash Receipts	473,585	123,742	64,735	662,062
Cash Disbursements:				
Current:				
Security of Persons and Property	206,306	-	-	206,306
Leisure Time Activities	-	52,090	-	52,090
Community Environment	1,364	-	-	1,364
Transportation	21,996	73,013	-	95,009
General Government	162,982	507	-	163,489
Capital Outlay	8,046	500	377	8,923
Debt Service:				
Principal Retirement	-	-	128,922	128,922
Interest and Fiscal Charges	-	-	5,814	5,814
Total Cash Disbursements	400,694	126,110	135,113	661,917
Excess of Receipts Over/(Under) Disbursements	72,891	(2,368)	(70,378)	145
Other Non-Operating Receipts:				
Note Proceeds	-	-	48,296	48,296
Total Other Non-Operating Receipts	-	-	48,296	48,296
Net Change in Fund Cash Balances	72,891	(2,368)	(22,082)	48,441
Fund Cash Balances, January 1	497,223	210,162	131,780	839,165
Fund Cash Balances, December 31	$ 570,114	$ 207,794	$ 109,698	$ 887,606
Reserve for Encumbrances, December 31	$ 5,066	$ 1,251	$ -	$ 6,317

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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Enterprise
Operating Cash Receipts:	
Charges for Services	$ 377,130
Fines, Licenses and Permits	3,298
Miscellaneous	8,532
Total Operating Cash Receipts	388,960
Operating Cash Disbursements:	
Personal Services	132,610
Contractual Services	65,361
Supplies and Materials	28,559
Total Operating Cash Disbursements	226,530
Operating Income	162,430
Non-Operating Receipts/(Disbursements):	
Note Proceeds	19,000
Sale of Capital Assets	75
Miscellaneous Receipts	1,792
Capital Outlay	(72,461)
Principal Retirement	(71,965)
Interest and Other Fiscal Charges	(42,895)
Other Financing Sources	4,441
Other Financing Uses	(3,691)
Total Non-Operating Receipts/(Disbursements)	(165,704)
Income (Loss) before Transfers	(3,274)
Transfers In	84,050
Transfers Out	(84,050)
Net Change in Fund Cash Balances	(3,274)
Fund Cash Balances, January 1	616,628
Fund Cash Balances, December 31	$ 613,354
Reserve for Encumbrances, December 31	$ 8,261

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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 directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Gorham Township to receive fires protection services.

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

B. Accounting Basis

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. Deposits and Investments

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

Cash accounts are valued at cost. The Village has certificates of deposit.

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.

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:

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

<u>Parks and Pool Fund</u> – This fund receives tax levy monies and charges for services monies for the purpose of providing leisure time activities for the general public and maintaining and repairing park grounds and facilities.

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Local Motor Vehicle License Fund – This fund receives County levied permissive motor vehicle money for constructing, maintaining and repairing Village street.

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:

Construction Fund – This fund receives proceeds from an income tax levy to acquire property and equipment and to construct capital improvements.

Long Term Control Plan Phase I Fund – This fund receives loan proceeds and grant monies for upgrades to the sewer system's lagoon and main pumping station.

Utility Improvement Fund – This fund receives municipal income tax to be used for the future improvement, construction or maintenance of the water or sewer utilities.

4. 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 residents to cover water service costs.

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

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 unecumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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

2. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand Deposits	$ 651,909	$ 632,845
Certificates of Deposit	365,024	257,800
Total Deposits	1,016,933	890,645
Repurchase Agreements	620,907	610,315
Total Deposits and Investments	$ 1,637,840	$ 1,500,960

Deposits: Deposits are insured by the Federal Depository Insurance Corporation 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.

3. Budgetary Activity

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$ 437,460	$ 436,524	$ (936)
Special Revenue	186,879	119,218	(67,661)
Capital Projects	924,940	822,924	(102,016)
Enterprise	530,373	522,968	(7,405)
Total	$ 2,079,652	$ 1,901,634	$ (178,018)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$ 447,860	$ 413,957	$ 33,903
Special Revenue	200,379	96,701	103,678
Capital Projects	985,464	776,690	208,774
Enterprise	551,298	477,406	73,892
Total	$ 2,185,001	$ 1,764,754	$ 420,247

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$ 405,650	$ 473,585	$ 67,935
Special Revenue	146,945	123,742	(23,203)
Capital Projects	138,274	113,031	(25,243)
Enterprise	468,718	498,318	29,600
Total	$ 1,159,587	$ 1,208,676	$ 49,089

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$ 427,225	$ 405,760	$ 21,465
Special Revenue	150,459	127,361	23,098
Capital Projects	148,132	135,113	13,019
Enterprise	586,256	509,853	76,403
Total	$ 1,312,072	$ 1,178,087	$ 133,985

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 is due December 31. The second half payment is due the following June 20.

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

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.

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	$ 600,000	5.00%
Ohio Water Development Authority (OWDA) Loan #3731	58,369	5.14%
Ohio Water Development Authority (OWDA) Loan #4172	38,233	0.00%
Ohio Water Development Authority (OWDA) Loan #4573	37,282	2.00%
Ohio Water Development Authority (OWDA) Loan #4706	63,525	2.00%
Ohio Water Development Authority (OWDA) Loan #5137	75,383	0.00%
Ohio Water Development Authority (OWDA) Loan #5815	94,847	0.00%
Ohio Public Works Commission (OPWC) Loan #CE32D	59,825	0.00%
Ohio Public Works Commission (OPWC) Loan #CE38E	31,529	0.00%
Ohio Public Works Commission (OPWC) Loan #CE15L	17,327	0.00%
Huntington Bank - Ford Explorer Loan	12,268	4.89%
Total	$ 1,088,588	

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 water lines.

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 $68,711 for this project. 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.

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.

5. Debt (Continued)

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 wastewater treatment plant repairs project. OWDA approved up to $78,692 in loans to the Village; however, the Village only borrowed $78,588 for this project. The Village will repay the loan in semiannual installments of $2,394, 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 #5137 relates to Phase I of the long term control plan which consists of upgrades to the sewer system's lagoon and main pumping station. OWDA approved up to $98,500 in loans to the Village; however, the Village only borrowed $79,350 for this project. This Project is partially funded through Federal ARRA grant funding projects, with $48,296 in principal forgiveness as of December 31, 2011. The Village will repay the loan in semiannual installments of $1,984, 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 #5815 relates to the combined sewer separation project being conducted. OWDA approved up to $285,390 in loans to the Village; however, the Village has only borrowed $94,847 for this project as of December 31, 2011. This Project is partially funded through Federal ARRA grant funding projects, with $285,390 in principal forgiveness as of December 31, 2011. An amortization schedule has not been finalized for this loan. The Village will repay the loan in semiannual installments of a yet to be determined amount over 20 years. Sewer receipts collateralize the loans.

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 repair 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 Ohio Public Works Commission (OPWC) loan #CE15L relates to Phase 1 of the long term control plan which consists of upgrades to the sewer system's lagoon and main pumping station. OPWC has approved up to $50,391 in loans to the Village; however, the Village has only borrowed $18,732 for this project as of December 31, 2011. The Village will repay the loan in semiannual installments of $468 over 20 years. Sewer receipts collateralize the loans.

In 2007, the Village obtained two loans from Huntington Bank. The first loan was for $12,715 which was for the purchase of a new Police Trailblazer. The village repaid the remaining principal on this loan in 2010. The second loan was for $95,000 which was for expenditures made on a curbing project. The village repaid the remaining principal on this loan in 2010.

In 2010, the Village obtained a loan from Huntington Bank for $19,000 which was for the purchase of a new Ford Explorer. The Village will repay the loan in monthly payments of $358 over five years.

5. Debt (Continued)

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

	Mortgage Revenue Bonds	OWDA Loans	OPWC Loans	Commercial Bank Loans
2012	$ 84,000	$ 19,187	$ 9,262	$ 4,292
2013	84,300	19,188	9,262	4,292
2014	84,450	19,187	9,262	4,292
2015	84,500	19,188	9,262	2,861
2016	84,500	19,187	9,262	-
2017-2021	338,100	95,938	46,310	-
2022-2026	-	90,055	12,558	-
2027-2031	-	40,849	3,503	-
2032-2036	-	6,776	-	-
	$ 759,850	$ 329,555	$ 108,681	$ 15,737

The Ohio Water Development Authority Loan #5815 amortization is not included in the above debt service requirements because the projects are not yet complete.

6. Retirement Systems

The Village's 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 plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F members contributed 10% of their gross salaries and the Village contributed an amount equaling 19.5% of full time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

7. Risk Management

Risk Pool Membership

Prior to 2009, the Village belonged 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 Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and

7. Risk Management (Continued)

Risk Pool Membership (Continued)

- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first $250,000 casualty treaty and 10% of the first $1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village does participate in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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, 2010 and 2009 (the latest information available), and include amounts for both OPRRM and OPHC**.**

	2010		**2009**	
	OPRM	**OPHC**	**OPRM**	**OPHC**
Assets	$12,036,541	$1,355,131	$11,176,186	$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	$ 7,191,485	$ 300,035	$ 6,323,701	$ 105,185

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

8. Transfers

During 2011 and 2010 the following transfers were made:

	2011 Transfer Activity	
Fund	Transfer-In	Transfer-Out
General	$ -	$ (50,000)
Capital Projects	50,000	(58,473)
Enterprise	143,073	(84,600)
Total	$ 193,073	$ (193,073)

	2010 Transfer Activity	
Fund	Transfer-In	Transfer-Out
Enterprise	$ 84,050	$ (84,050)
Total	$ 84,050	$ (84,050)

In 2011 the Village transferred money from the General Fund to the Street and Curbs Fund for a sidewalk project. The Village also transferred money from the Capital Projects Loan and Phase I Long Term Control Plan Funds to reimburse the Sewer Enhancement Fund for expenses paid while the Village waited on OWDA funding. The Water Fund also transferred funds to the Debt Reserve Fund to make required contribution and debt payments. These transfers were determined to be proper and in compliance with the Ohio Revised Code.

In 2010 the Water Fund transferred money to the Debt Reserve Fund to make required contribution and debt payments. These transfers were determined to be proper and in compliance with the Ohio Revised Code.

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

June 29, 2012

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

To the Mayor and Members of Village Council:

We have audited the financial statements of the **Village of Fayette**, Fulton County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 29, 2012, 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 has adopted Governmental Accounting Standards Board Statement No. 54. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-003 described in the accompanying schedule of audit findings to be material weaknesses.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2011-004.

We also noted certain other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 29, 2012.

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

Respectfully Submitted,

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF FAYETTE
FULTON COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

Material Weakness

Reconciliation of Income Tax Subsidiary System

Income tax receipts are deposited by the Income Tax Administrator daily. The subsequent posting of those receipts to the Villages income tax subsidiary system occurs when the Income Tax Administrator has time to do so. This lapse in time between when the deposits occurs and posting to the income tax subsidiary system could cause a potential $15 late fee or half percent of income tax due be posted to tax payer accounts. These late fees are subsequently waived by the Income Tax Administrator. This is done without the approval of Council. The Income Tax Administrator is the only Village employee trained to operate the income tax subsidiary system.

The Fiscal Officer summarizes the daily income tax receipts monthly. She posts the receipts in accordance with the income tax ordinance. No report from the income tax subsidiary system can be generated for the Fiscal Officer to reconcile the amounts recorded in the accounting system to the income tax subsidiary system. This could cause errors to occur and not be detected timely by the Villages management or result in the misappropriation of assets.

Sound internal control procedures are necessary to safeguard assets and produce reliable financial information. Such procedures include reviews of supporting documentation to ensure amounts collected are deposited and recorded on the same day. In addition, waived late fees should be approved by Council.

We recommend the Fiscal Officer and Income Tax Administrator reconcile the accounting system to the income tax subsidiary system at least monthly to ensure all amounts are properly reported and deposited. All noncash adjustments to customer accounts, including the waiving of the late fee, are approved by the Council in the minutes. Further we recommend additional Village personnel are trained to operate the income tax subsidiary system.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2011-002

Material Weakness

Late Fees and Quarterly Billing

The Village bills for water and sewer charges on a quarterly basis and the customers have the option to make payments all at once or in three equal payments. The Villages system is set up to charge customer accounts a late fee on the 16th of the month. The late fee has to be waived by Village employees because customers have up to three months to pay the bill. The waiving of the fee is done without approval of the Council.

Customers have up to 3 months to pay the bill and the Villages policy is not to shut off an account until the account is 2 payments past due which means the Village can potentially lose up to six months of revenue until the account can be shut off.

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

FINDING NUMBER 2011-002 (CONTINUED)

We recommend all noncash adjustments to customer accounts be approved by Council before the adjustment is made. Further we recommend Village Council perform an analysis of the cost benefits relationship for the Village to switch billing quarterly to billing every month.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2011-003

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2011 and 2010, several receipts were not posted to accurate classifications based on the source of the receipt or disbursement. There were also payments made on behalf of the Village for which the proceeds were not recorded. The following posting errors were noted:

- Taxes posted as intergovernmental
- Miscellaneous revenues posted as Intergovernmental.
- Transfers ins and outs posted as advances in and out.
- Note Proceeds classified as Intergovernmental.
- Intergovernmental revenues resulting from the forgiveness of debt from the Ohio Water Development Authority and corresponding capital outlay was not recorded on the Villages financials.
- Proceeds of notes from the Ohio Water Development Authority and corresponding capital outlay were not recorded of the Villages financials.

Not posting revenues and disbursements accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all reclassifications and adjustments. Village management agrees with the adjustments, and all adjustments have been made to the Village's accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and disbursements are properly identified and classified on the financial statements. We also recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF FAYETTE
FULTON COUNTY

SCHEDULE OF AUDIT FINDINGS (CONTINUED)
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-004

Noncompliance

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than $3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

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

FINDING NUMBER 2011-004 (Continued)

The Village did not properly certify the availability of funds prior to purchase commitment for 43% and 50% of the expenditures tested during 2011 and 2010, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are, or will be, available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF FAYETTE
FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2009-001	ORC §5705.09 (F) – Establishment of Separate Funds	Yes	
2009-002	OAC §117-2-02 – Maintaining Adequate Records	Yes	
2009-003	ORC §5705.10 (C) – Special Fund for Special Levy	Yes	
2009-004	ORC §5705.41 (D) – Proper Encumbrance	No	Repeated as Finding 2011-004
2009-005	Reconciliation of Income Tax Subsidiary System	No	Repeated as Finding 2011-001

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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
DECEMBER 13, 2012

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