



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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 7, 2010

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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, 2009 and 2008. 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.

Except as discussed in the following paragraph, 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.

We were not able to obtain sufficient evidence to ensure completeness of concession revenues, music festival admissions, and fund raiser collections which were recorded as charges for services in the Special Revenue Fund. These revenues comprised eleven and thirteen percent of the Special Revenue Fund revenues for the years ended December 31, 2009 and 2008, respectively.

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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to ensure completeness of Special Revenue Fund charges for services for the years ended December 31, 2009 and 2008, 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, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 July 7, 2010, 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

July 7, 2010

**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, 2009**

	<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	\$40,797	\$26,190		\$66,987
Municipal Income Tax	238,220		\$14,124	252,344
Intergovernmental	94,110	63,591		157,701
Charges for Services	300	30,044		30,344
Fines, Licenses and Permits	6,984	73		7,057
Earnings on Investments	6,541	2,308		8,849
Contributions and Donations			6,070	6,070
Miscellaneous	11,124	3,649	1,050	15,823
	<u>398,076</u>	<u>125,855</u>	<u>21,244</u>	<u>545,175</u>
<b>Total Cash Receipts</b>				
	<u>398,076</u>	<u>125,855</u>	<u>21,244</u>	<u>545,175</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	197,203	1,895		199,098
Leisure Time Activities		49,432		49,432
Community Environment	1,364			1,364
Transportation	28,245	48,723		76,968
General Government	164,672	532		165,204
Debt Service:				
Redemption of Principal		4,778	28,072	32,850
Interest and Fiscal Charges		4,839	905	5,744
Capital Outlay	2,993	23,280	38,026	64,299
	<u>394,477</u>	<u>133,479</u>	<u>67,003</u>	<u>594,959</u>
<b>Total Cash Disbursements</b>				
	<u>394,477</u>	<u>133,479</u>	<u>67,003</u>	<u>594,959</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>3,599</u>	<u>(7,624)</u>	<u>(45,759)</u>	<u>(49,784)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In			3,500	3,500
Transfers-Out	(3,500)			(3,500)
	<u>(3,500)</u>		<u>3,500</u>	
<b>Total Other Financing Receipts / (Disbursements)</b>				
	<u>(3,500)</u>		<u>3,500</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	99	(7,624)	(42,259)	(49,784)
Fund Cash Balances, January 1	497,124	217,786	174,039	888,949
<b>Fund Cash Balances, December 31</b>	<u><u>\$497,223</u></u>	<u><u>\$210,162</u></u>	<u><u>\$131,780</u></u>	<u><u>\$839,165</u></u>
Reserve for Encumbrances, December 31	<u><u>\$2,803</u></u>	<u><u>\$4,967</u></u>		<u><u>\$7,770</u></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, 2009**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$346,456
Fines, Licenses and Permits	\$2,014
Miscellaneous	10,510
	10,510
Total Operating Cash Receipts	358,980
<b>Operating Cash Disbursements:</b>	
Personal Services	110,235
Contractual Services	58,066
Supplies and Materials	17,865
	17,865
Total Operating Cash Disbursements	186,166
Operating Income	172,814
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental	111,062
Special Assessments	454
Loan Proceeds	38,932
Miscellaneous Receipts	1,669
Other Non-Operating Cash Receipts	5,569
	5,569
Total Non-Operating Cash Receipts	157,686
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	129,794
Redemption of Principal	70,100
Interest and Other Fiscal Charges	40,222
Other Non-Operating Cash Disbursements	34,748
	34,748
Total Non-Operating Cash Disbursements	274,864
Net Cash Receipts Over Cash Disbursements	55,636
Fund Cash Balances, January 1	560,992
<b>Fund Cash Balances, December 31</b>	<b>\$616,628</b>
Reserve for Encumbrances, December 31	\$8,891

*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, 2008**

	<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	\$43,348	\$27,301		\$70,649
Municipal Income Tax	270,127		\$32,463	302,590
Intergovernmental	98,854	65,149	7,162	171,165
Charges for Services	1,455	34,871		36,326
Fines, Licenses and Permits	7,241	46		7,287
Earnings on Investments	19,586	6,869		26,455
Contributions and Donations		8,600	2,050	10,650
Miscellaneous	15,077	7,669		22,746
	<u>455,688</u>	<u>150,505</u>	<u>41,675</u>	<u>647,868</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	193,909			193,909
Leisure Time Activities		55,801		55,801
Community Environment	3,354			3,354
Transportation	47,293	54,662		101,955
General Government	230,002	633		230,635
Debt Service:				
Redemption of Principal		4,378	6,058	10,436
Interest and Fiscal Charges		4,998	1,309	6,307
Capital Outlay	2,034	8,600	12,834	23,468
	<u>476,592</u>	<u>129,072</u>	<u>20,201</u>	<u>625,865</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(20,904)</u>	<u>21,433</u>	<u>21,474</u>	<u>22,003</u>
<b>Other Financing Receipts:</b>				
Loan Proceeds			3,592	3,592
Sale of Fixed Assets	15,450	790		16,240
	<u>15,450</u>	<u>790</u>	<u>3,592</u>	<u>19,832</u>
<b>Total Other Financing Receipts</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(5,454)	22,223	25,066	41,835
Fund Cash Balances, January 1	<u>502,578</u>	<u>195,563</u>	<u>148,973</u>	<u>847,114</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$497,124</b></u>	<u><b>\$217,786</b></u>	<u><b>\$174,039</b></u>	<u><b>\$888,949</b></u>
Reserve for Encumbrances, December 31	<u>\$8,100</u>	<u>\$2,086</u>	<u>\$2,080</u>	<u>\$12,266</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, 2008**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$347,362
Fines, Licenses and Permits	\$1,673
Miscellaneous	8,981
	8,981
Total Operating Cash Receipts	358,016
<b>Operating Cash Disbursements:</b>	
Personal Services	92,350
Transportation	100
Contractual Services	56,072
Supplies and Materials	37,598
	37,598
Total Operating Cash Disbursements	186,120
Operating Income	171,896
<b>Non-Operating Cash Receipts:</b>	
Loan Proceeds	76,650
Miscellaneous Receipts	1,496
Other Non-Operating Cash Receipts	7,529
	7,529
Total Non-Operating Cash Receipts	85,675
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	
Redemption of Principal	63,636
Interest and Other Fiscal Charges	45,427
Other Non-Operating Cash Disbursements	46,086
	46,086
Total Non-Operating Cash Disbursements	155,149
Net Cash Receipts Over Cash Disbursements	102,422
Fund Cash Balances, January 1	458,570
<b>Fund Cash Balances, December 31</b>	<b>\$560,992</b>
Reserve for Encumbrances, December 31	\$429

*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, 2008 AND 2009**

**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 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 8 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 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.

The Village reports certificates of deposit and its repurchase agreements 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, 2009 AND 2008  
(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 monies and charges for service monies for the purpose of providing leisure time activities for the general public and maintaining and repairing park grounds and facilities.

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

**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.

**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.

Long Term Control Plan – Phase 1 Fund - This fund receives loan proceeds and grant monies for upgrades to the sewer system's lagoon and main pumping station.

**E. Budgetary Process**

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**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.

**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:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$654,067	\$638,245
Certificates of deposit	250,000	250,000
Total deposits	<u>904,067</u>	<u>888,245</u>
Repurchase agreement	551,726	561,696
Total deposits and investments	<u><u>\$1,455,793</u></u>	<u><u>\$1,449,941</u></u>

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**2. Equity in Pooled Deposits and Investments (Continued)**

**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 December 31 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$429,750	\$398,076	(\$31,674)
Special Revenue	166,720	125,855	(40,865)
Capital Projects	157,540	24,744	(132,796)
Enterprise	521,954	516,666	(5,288)
Total	\$1,275,964	\$1,065,341	(\$210,623)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$469,546	\$400,780	\$68,766
Special Revenue	175,062	138,446	36,616
Capital Projects	141,896	67,003	74,893
Enterprise	581,360	469,921	111,439
Total	\$1,367,864	\$1,076,150	\$291,714

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$478,000	\$471,138	(\$6,862)
Special Revenue	141,750	151,295	9,545
Capital Projects	55,500	45,267	(10,233)
Enterprise	485,325	443,691	(41,634)
Total	\$1,160,575	\$1,111,391	(\$49,184)

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$528,226	\$484,692	\$43,534
Special Revenue	150,558	131,158	19,400
Capital Projects	59,938	22,281	37,657
Enterprise	475,915	341,698	134,217
Total	\$1,214,637	\$979,829	\$234,808

Contrary to Ohio law, the following occurred:

- Property taxes and related intergovernmental revenues from the 2009 Park and Pool Fund were incorrectly allocated to the General Fund \$3,997.
- Community Development Block Grant (\$40,000), Ohio Public Works Commission (\$61,072), and American and Reinvestment Act (\$9,990) monies received were not recorded in separate funds,
- Ohio Water Development Authority (\$20,200 in 2009 and \$80,242 in 2008) and Ohio Public Works Commission (\$18,732) loan proceeds were not accounted for in separate funds.

**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.

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.

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

**5. 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.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$701,000	5%
Ohio Water Development Authority (OWDA) Loans	300,749	0%-5.14%
Ohio Public Works Commission (OPWC) Loans	126,736	0%
Commercial Bank Loans	79,116	5.14%-5.23%
Total	\$1,207,601	

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 \$68,711. 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.

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 borrowed \$78,588 for this project. The Village will repay the loan in semiannual installments of \$2,394, including interest, over 20 years. The scheduled payment below assumes that the full \$78,692 will be borrowed. 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 the phase 1 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. The Village will repay the loan in semiannual installments of \$1,984, including interest, over 20 years. The Village has agreed to set sewer 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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

\$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 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, 2009. for #CE32D and \$52,514 for #CE38E in loans to the Village for this project. 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 Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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 repaid the remaining principal in 2009.

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

Year ending December 31:	Mortgage Revenue			Commercial Bank Loans
	Bonds	OWDA Loans	OPWC Loans	
2010	\$84,050	\$23,343	\$8,325	\$12,272
2011	84,600	19,187	8,325	9,638
2012	84,000	19,187	8,325	68,371
2013	84,300	19,187	8,325	
2014	84,450	19,187	8,325	
2015-2019	423,100	95,936	41,626	
2020-2024	84,000	95,936	24,753	
2025-2029		60,324		
2030-2033		17,795		
Total	<u>\$928,500</u>	<u>\$370,082</u>	<u>\$108,004</u>	<u>\$90,281</u>

**7. 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 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 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, OPERS members

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**8. 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 Ohio governments ("Members"). The Plan is legally separate from its member governments.

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 coverages 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 retain 15% 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 over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP 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 40 members as of December 31, 2008. 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: 2008 and 2007 (the latest information available):

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**8. Risk Management (Continued)**

	<b>2008</b>	<b>2007</b>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</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 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'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.

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):

	<b>2008</b>	<b>2007</b>
Assets	\$5,676,557	\$4,621,669
Liabilities	(\$2,357,137)	(\$2,257,875)
Members' Equity	\$3,319,420	\$1,363,794

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# 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, 2009 and 2008 and have issued our report thereon dated July 7, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted that sufficient evidence was not available to ensure completeness of Special Revenue Fund charges for services for the years ended December 31, 2009 and 2008. Except as discussed in the preceding sentence, 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 findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

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 entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-003 and 2009-005 described in the accompanying schedule of findings to be significant deficiencies.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 7, 2010.

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

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



**Mary Taylor, CPA**  
Auditor of State

July 7, 2009

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance Citation – Material Weakness**

**Ohio Revised Code § 5705.09 (F)**, states each subdivision shall establish a special fund for each class of revenue derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

**Auditor of State Bulletin 2000-008** states all local governments participating in “on-behalf of” programs (i.e. Ohio Water Development Authority (OWDA), Community Development Block Grants (CDBG)), must, for each project awarded; establish a separate fund to meet the grant or project objectives.

The Village received OWDA loan proceeds in the amounts of \$20,200 in 2009 and \$80,242 in 2008 and CDBG grant monies in the amount of \$40,000 in 2009. The Village failed to establish separate funds for these monies.

**Auditor of State Bulletin 2002-004** states all local governments participating in Issue 2 Funds (i.e. Ohio Public Works Commission (OPWC)) must, for each project awarded, establish a capital project fund to account for both the Issue 2 monies and local matching funds.

The Village received OPWC loan proceeds in the amount of \$18,732 and grants in the amount of \$61,072 in 2009. The Village failed to establish separate funds for these monies.

**Auditor of State Bulletin 2009-007** states all local government must not co-mingle American and Reinvestment Act (ARRA) funds with other funds to maximize transparency and accountability of ARRA spending as required by Congress and the Recovery Board.

The Village received ARRA grant monies in the amount of \$9,990. The Village failed to establish separate funds for ARRA monies and, therefore, co-mingled the monies with other funds.

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

We recommend the Village follow the guidelines of Auditor of State Bulletins 2000-008, 2002-004, and 2009-007 which describes the proper accounting treatment for grants, loans, and on-behalf-of funds.

**Officials’ Response:**

Individual funds were not established to track monies received for participation in “on-behalf” programs or grant/loan funding. Separate fund lines will be established in accordance with the guidelines of Auditor of State Bulletins 2000-08, 2002-004, and 2009-007.

**FINDING NUMBER 2009-002**

**Noncompliance Citation – Material Weakness**

**Ohio Administrative Code §117-2-02** requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions. Further, there should be evidence that recorded transactions exist, have occurred and are not fictitious.

The Village collected charges for services revenues within the Parks and Pool Fund in the amount of \$29,533 in 2009 and \$24,119 in 2008.

Adequate documentation for numerous revenue sources including adult softball registration fees, concessions, music festival admissions, and fund raisers that comprise these charges for services was not maintained.

This lack of adequate documentation could result in over/under statement of financial statements, revenue being lost, misused, or unrecorded without detection. In order for proper presentation of financial statements and proper accountability for charges for services revenue, we recommend the following supporting documentation be retained: (1) team registration forms; (2) concession sales reconciliation forms; (3) admission tickets reconciliation forms; and (4) fund raiser forms. In addition, the park department's detailed record of collections should be reconciled at least monthly with the Fiscal Officer's records to verify completeness and accuracy of monies received.

**Officials' Response:**

The Park and Pool fund requires adequate documentation to identify revenue sources including donations, ball programs, concession stand receipts, music festival admissions, and fund raisers. Steps are being taken to assure proper accounting procedures are followed. A donation form is being created and will be used. All donations are currently being logged and presented to Council for approval. All ball registration forms are being kept with payment documentation included. Funds for each program will be established and used to track individual program revenue. The concession stand inventory sheet was revised and modifications suggested by Nathan French Assistant Auditor. This form is currently being used. Admissions for the Music Fest will be tracked by using tickets and maintaining a beginning and ending number to determine the number of patrons. This will be reconciled with the amount of admission money collected and documented on an admission tickets reconciliation form. As in the past, "get in free" cards will be kept in the admissions box and taken into consideration during reconciliation. Actual fundraiser forms are kept with a sales reconciliation attached. The park deposits will be reconciled monthly with the Park Director, Utility Administrator, and Village Fiscal Officer.

**FINDING NUMBER 2009-003**

**Noncompliance Citation – Significant Deficiency**

**Ohio Revised Code § 5705.10 (C)** requires all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

During 2009, property taxes and related intergovernmental revenues from a special levy for parks and the pool were recorded in the General Fund (\$3,997) instead of the Park and Pool Fund.

Adjustments were included in the accompanying financial statements and the Village's accounting records to reflect this activity.

We recommend management record all property tax and related monies derived from this special levy in the Park and Pool Fund.

**Officials' Response:**

The Park and Pool levy funds were recorded in the General Fund in error. This is being corrected by an adjustment and proper tracking will prevent this issue from occurring again.

## FINDING NUMBER 2009-004

### Noncompliance Citation

**Ohio Revised Code § 5705.41(D)(1)** states no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such 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 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, each of 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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Village Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 Village Council.

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 Village Council 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 may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Forty-two and one-half percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 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 the fiscal officer certify 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.

We recommend the Village Council certify purchases to which Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language that Ohio Revised Code § 5705.41(D) requires for authorizing disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:**

Improper use of Purchase Orders is a reoccurring issue that has been corrected with the creation of a "Then and Now" Purchase Order. This was addressed in our weekly staff meeting and is currently being utilized.

**FINDING NUMBER 2009-005**

**Significant Deficiency – Reconciliation of Income Tax Subsidiary System**

In 2009, income tax receipts were \$248,407 per the income tax subsidiary system. Receipts were \$252,344 per the accounting system resulting in a variance of \$3,937. The cause of the variance could not be identified.

Income tax receipts are recorded by the Income Tax Administrator in the income tax subsidiary system and deposited daily. The daily deposit tickets are forwarded to the Fiscal Office and posted to the accounting system. No reports generated by the income tax system are forwarded to the Fiscal Officer. Failure to reconcile amounts between the two systems could 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.

We recommend the Fiscal Officer and Income Tax Administrator reconcile at least monthly to ensure all amounts are properly reported and deposited

**Officials' Response:**

In 2009, a variance of \$3,937 between the income tax receipts received and the village's accounting system was identified. No determination was made as to the cause of this variance. Safe guards are being put into place to prevent this issue from occurring again with better documentation being communicated from the Tax Administrator to the Village Fiscal Officer. Monthly reconciliation is also key to eliminating this inaccuracy.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-1	Ohio Revised Code § 5705.10(D) – failure to properly record on-behalf-of grant and loan payments.	No	Reissued as finding 2009-001 in this report.
2007-2	Ohio Revised Code §5705.36(A)(2) and (A)(4) – Council approved appropriations in excess of available resources.	Yes	
2007-3	Ohio Revised Code §5705.40 – legally adopted appropriations did not agree to posted appropriations.	Yes	
2007-4	Ohio Revised Code §5705.41(B) – budgetary expenditures in excess of appropriations.	Yes	





**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  
AUGUST 5, 2010**