



**Auditor of State
Betty Montgomery**

VILLAGE OF FAYETTE
FULTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Prior Audit Findings.....	19

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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 a February 2, 2005m 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 opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

April 13, 2006

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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, 2005 and 2004. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Fayette, Fulton County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 April 13, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

April 13, 2006

**VILLAGE OF FAYETTE
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$380,361	\$35,052	\$12,028		\$427,441
Intergovernmental Receipts	105,493	66,391	126,875		298,759
Charges for Services	1,130	25,381			26,511
Fines, Licenses, and Permits	13,506	1,292			14,798
Earnings on Investments	25,266	4,009			29,275
Miscellaneous	10,659	11,201	68,311		90,171
	<u>536,415</u>	<u>143,326</u>	<u>207,214</u>		<u>886,955</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	219,185				219,185
Leisure Time Activities	66	65,820			65,886
Community Environment	3,801				3,801
Transportation	38,655	35,401			74,056
General Government	215,880	593			216,473
Capital Outlay	13,567	4,052	198,091		215,710
	<u>491,154</u>	<u>105,866</u>	<u>198,091</u>		<u>795,111</u>
Total Cash Receipts Over Cash Disbursements	<u>45,261</u>	<u>37,460</u>	<u>9,123</u>		<u>91,844</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes			58,820		58,820
Sale of Fixed Assets	24				24
Transfers-In		4,000			4,000
Transfers-Out	(4,000)				(4,000)
Other Financing Uses		(201)			(201)
	<u>(3,976)</u>	<u>3,799</u>	<u>58,820</u>		<u>58,643</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	41,285	41,259	67,943		150,487
Fund Cash Balances, January 1	<u>509,252</u>	<u>104,778</u>	<u>13,068</u>	<u>\$978</u>	<u>628,076</u>
Fund Cash Balances, December 31	<u>\$550,537</u>	<u>\$146,037</u>	<u>\$81,011</u>	<u>\$978</u>	<u>\$778,563</u>
Reserves for Encumbrances, December 31	<u>\$3,674</u>	<u>\$3,905</u>			<u>\$7,579</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, 2005**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$345,033
Miscellaneous	7,403
	352,436
Operating Cash Disbursements:	
Personal Services	121,694
Transportation	15
Contractual Services	91,267
Supplies and Materials	29,654
Capital Outlay	20,722
	263,352
Operating Income	89,084
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	7,186
	7,186
Non-Operating Cash Disbursements:	
Debt Service	102,412
Other Non-Operating Cash Disbursements	4,498
	106,910
Net Disbursements Over Receipts	(10,640)
Fund Cash Balances, January 1	464,320
Fund Cash Balances, December 31	\$453,680
Reserve for Encumbrances, December 31	\$941

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 AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$397,067	\$37,640	\$12,472		\$447,179
Intergovernmental Receipts	82,022	49,094	23,000		154,116
Charges for Services	976	23,988			24,964
Fines, Licenses, and Permits	15,292	416			15,708
Earnings on Investments	8,721	1,967			10,688
Miscellaneous	12,964	13,750			26,714
Total Cash Receipts	<u>517,042</u>	<u>126,855</u>	<u>35,472</u>		<u>679,369</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	205,372				205,372
Leisure Time Activities		64,975			64,975
Community Environment	4,637				4,637
Transportation	62,917	28,984			91,901
General Government	231,534	645			232,179
Capital Outlay	20,373	12,445	57,519		90,337
Total Cash Disbursements	<u>524,833</u>	<u>107,049</u>	<u>57,519</u>		<u>689,401</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(7,791)</u>	<u>19,806</u>	<u>(22,047)</u>		<u>(10,032)</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	3,181				3,181
Other Financing Uses	(16)	(52)			(68)
Total Other Financing Receipts/(Disbursements)	<u>3,165</u>	<u>(52)</u>			<u>3,113</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(4,626)</u>	<u>19,754</u>	<u>(22,047)</u>		<u>(6,919)</u>
Fund Cash Balances, January 1	<u>513,878</u>	<u>85,024</u>	<u>35,115</u>	<u>\$978</u>	<u>634,995</u>
Fund Cash Balances, December 31	<u><u>\$509,252</u></u>	<u><u>\$104,778</u></u>	<u><u>\$13,068</u></u>	<u><u>\$978</u></u>	<u><u>\$628,076</u></u>
Reserves for Encumbrances, December 31	<u><u>\$13,730</u></u>	<u><u>\$9,871</u></u>	<u><u>\$17,629</u></u>		<u><u>\$41,230</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, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$308,078
Miscellaneous	4,943
	313,021
Operating Cash Disbursements:	
Personal Services	85,580
Contractual Services	79,373
Supplies and Materials	25,895
Capital Outlay	81,740
	272,588
Total Operating Cash Disbursements	272,588
Operating Income	40,433
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	17,552
	17,552
Non-Operating Cash Disbursements:	
Debt Service	99,099
Other Non-Operating Cash Disbursements	3,967
	103,066
Total Non-Operating Cash Disbursements	103,066
Net Disbursements Over Receipts	(45,081)
Fund Cash Balances, January 1	509,401
Fund Cash Balances, December 31	\$464,320
Reserve for Encumbrances, December 31	\$5,079

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, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit 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.

2. Special Revenue Funds

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

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Park & Recreation Fund -This fund receives tax levy money for maintaining and repairing park grounds and facilities.

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:

Utility Improvement Fund - This fund receives income tax monies, state grant monies, and note proceeds for maintaining and repairing the Village's utility systems and facilities.

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.

First Mortgage Debt Service Fund – This fund receives water fees collected to cover bond principal and interest payments.

5. Fiduciary Fund (Trust Fund)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village utilizes an expendable trust fund to account for unclaimed funds.

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, 2005 AND 2004
(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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 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 CASH

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$982,243	\$842,396
Certificates of deposit	250,000	250,000
Total deposits	<u>\$1,232,243</u>	<u>\$1,092,396</u>

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$510,000	\$536,439	\$26,439
Special Revenue	121,000	147,326	26,326
Capital Projects	350,000	266,034	(83,966)
Enterprise	320,712	359,622	38,910
Total	<u>\$1,301,712</u>	<u>\$1,309,421</u>	<u>\$7,709</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$565,309	\$498,828	\$66,481
Special Revenue	125,641	109,972	15,669
Capital Projects	237,629	198,091	39,538
Enterprise	410,343	371,203	39,140
Total	<u>\$1,338,922</u>	<u>\$1,178,094</u>	<u>\$160,828</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$474,553	\$520,223	\$45,670
Special Revenue	105,802	126,855	21,053
Capital Projects	437,200	35,472	(401,728)
Enterprise	372,192	330,573	(41,619)
Total	<u>\$1,389,747</u>	<u>\$1,013,123</u>	<u>(\$376,624)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$753,141	\$538,579	\$214,562
Special Revenue	170,753	116,972	53,781
Capital Projects	470,865	75,148	395,717
Enterprise	503,734	380,733	123,001
Total	<u>\$1,898,493</u>	<u>\$1,111,432</u>	<u>\$787,061</u>

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX

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

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

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.

6. DEBT

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3731	\$66,117	5.14%
Ohio Water Development Authority Loan #4172	90,622	
Ohio Public Works Commission Loan #CE32D	94,042	
Ohio Public Works Commission Loan #CE38E	43,324	
Mortgage Revenue Bonds	<u>877,000</u>	5.00%
Total	<u><u>\$1,171,105</u></u>	

The Ohio Water Development Authority (OWDA) loan #3731 relates to the combined sewer separation project recently conducted. The OWDA approved up to \$117,582 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,259, including interest, over 30 years. The scheduled payment amount below assumes that the full \$117,582 will be borrowed. The OWDA will adjust the scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT – (Continued)

The Ohio Water Development Authority (OWDA) loan #4172 relates to the West End sanitary sewer extension project recently conducted. The OWDA approved \$95,392 in a loan to the Village for this project. The Village will repay the loan in semiannual installments of \$2,385, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

The 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.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Mortgage Revenue Bonds</u>
2006	\$9,287	\$8,326	\$84,850
2007	9,287	8,326	84,800
2008	9,287	8,326	84,650
2009	9,287	8,326	84,400
2010	9,287	8,326	84,050
2011-2015	69,020	41,624	421,800
2016-2020	69,020	41,624	422,650
2021-2025	64,250	12,488	
2026-2030	45,172		
2031-2033	11,293		
Total	<u>\$305,190</u>	<u>\$137,366</u>	<u>\$1,267,200</u>

7. RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RETIREMENT SYSTEMS – (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

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

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

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>\$2,227,808</u>	<u>\$1,871,123</u>
Members' Equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

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

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

Village of 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, 2005 and 2004, and have issued our report thereon dated April 13, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated April 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated April 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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

We intend this report solely for the information and use of the audit committee, management, and Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 13, 2006

**VILLAGE OF FAYETTE
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 and 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Rev. Code Section 5705.41(D), improper fiscal officer certification of certain expenditures	No	Partially Corrected, reported in the Management Letter
2003-002	Ohio Rev. Code Section 5705.41(B), expenditures exceeding appropriations	Yes	
2003-003	Ohio Rev. Code Section 5705.10, fund having a negative balance	No	Partially Corrected, reported in the Management Letter
2003-004	Ohio Rev. Code Section 5705.39, appropriations exceeding total estimated resources	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MAY 9, 2006**