

**VILLAGE OF FAYETTEVILLE**

**Regular Audit**

**Years Ended December 31, 2004 and 2003**





**Auditor of State  
Betty Montgomery**

Village Council  
Village of Fayetteville  
P.O. Box 180  
Fayetteville, OH 45118

We have reviewed the *Independent Accountant's Report* of the Village of Fayetteville, Brown County, prepared by Cassady Schiller & Associates Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

BETTY MONTGOMERY  
Auditor of State

March 7, 2006

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**VILLAGE OF FAYETTEVILLE**  
**REGULAR AUDIT**  
**YEARS ENDED DECEMBER 31, 2004 AND 2003**

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INDEPENDENT ACCOUNTANT'S REPORT

To the Village Council  
Village of Fayetteville  
Brown County



We have audited the accompanying financial statements of the Village of Fayetteville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to generally accepted accounting principles would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e major) funds separately for 2004. While the Village does not follow generally accepted accounting principles, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new generally accepted accounting principles 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 generally accepted accounting principles 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-generally accepted accounting principles basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United

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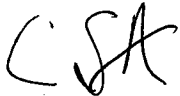


States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of December 31, 2004 and 2003, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revisions to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 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 January 6, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



January 6, 2006



VILLAGE OF FAYETTEVILLE

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property tax and other local taxes	\$ 37,461	\$ 12,479	\$ 49,940
Intergovernmental receipts	14,383	29,050	43,433
Charges for services	4,850	-	4,850
Earnings on investments	314	88	402
Licenses, permits, fees and other	67,479	4,150	71,629
Miscellaneous	1,710	-	1,710
Total cash receipts	<u>126,197</u>	<u>45,767</u>	<u>171,964</u>
<b>Cash Disbursements:</b>			
Current:			
Security of persons and property	80,704	10,411	91,115
Leisure time activities	8,504	-	8,504
Community environment	1,474	-	1,474
Transportation	1,146	22,662	23,808
General government	66,215	482	66,697
Debt service:			
Principal payments	5,600	-	5,600
Interest payments	296	-	296
Total cash disbursements	<u>163,939</u>	<u>33,555</u>	<u>197,494</u>
Total cash receipts over (under) cash disbursements	(37,742)	12,212	(25,530)
<b>Other Financing Receipts (Disbursements):</b>			
Sale of notes	8,000	-	8,000
Total other financing receipts	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements	(29,742)	12,212	(17,530)
Fund cash balances, January 1	<u>54,561</u>	<u>9,272</u>	<u>63,833</u>
Fund cash balances, December 31	<u>\$ 24,819</u>	<u>\$ 21,484</u>	<u>\$ 46,303</u>
Reserves for encumbrances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and report of independent accountants.

**VILLAGE OF FAYETTEVILLE**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Types Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for services	\$ 155,791	\$ -	\$ 155,791
Total operating cash receipts	155,791	-	155,791
<b>Operating Cash Disbursements:</b>			
Personal services	19,483	-	19,483
Fringe benefits	4,753	-	4,753
Contractual services	17,962	-	17,962
Supplies and materials	134,947	-	134,947
Total operating cash disbursements	177,145	-	177,145
Operating loss	(21,354)	-	(21,354)
<b>Non-operating cash receipts:</b>			
Other non-operating receipts	-	88,531	88,531
Total non-operating cash receipts	-	88,531	88,531
<b>Non-operating cash disbursements:</b>			
Other non-operating cash disbursements	-	88,531	88,531
Total non-operating cash disbursements	-	88,531	88,531
Net receipts over (under) disbursements	(21,354)	-	(21,354)
Fund cash balances, January 1	110,192	-	110,192
Fund cash balances, December 31	\$ 88,838	\$ -	\$ 88,838
Reserves for encumbrances, December 31	\$ -	\$ -	\$ -

See accompanying notes and report of independent accountants.

VILLAGE OF FAYETTEVILLE

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property tax and other local taxes	\$ 32,877	\$ 10,888	\$ 43,765
Intergovernmental receipts	50,226	26,255	76,481
Charges for services	14,068	-	14,068
Earnings on investments	670	189	859
Licenses, permits, fees and other	61,764	-	61,764
Miscellaneous	<u>1,517</u>	<u>-</u>	<u>1,517</u>
Total cash receipts	161,122	37,332	198,454
<b>Cash Disbursements:</b>			
Current:			
Security of persons and property	63,772	10,592	74,364
Public health services	133	-	133
Leisure time activities	4,353	-	4,353
Community environment	612	-	612
Transportation	5,000	28,915	33,915
General government	52,932	1,442	54,374
Debt service:			
Principal payments	6,000	-	6,000
Interest payments	<u>671</u>	<u>-</u>	<u>671</u>
Total cash disbursements	<u>133,473</u>	<u>40,949</u>	<u>174,422</u>
Total cash receipts over (under) cash disbursements	27,649	(3,617)	24,032
<b>Other Financing Receipts (Disbursements):</b>			
Advances out	<u>(3,503)</u>	<u>-</u>	<u>(3,503)</u>
Total other financing disbursements	<u>(3,503)</u>	<u>-</u>	<u>(3,503)</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements	24,146	(3,617)	20,529
Fund cash balances, January 1	<u>30,415</u>	<u>12,889</u>	<u>43,304</u>
Fund cash balances, December 31	\$ <u>54,561</u>	\$ <u>9,272</u>	\$ <u>63,833</u>
Reserves for encumbrances, December 31	\$ <u>12,312</u>	\$ <u>53</u>	\$ <u>12,365</u>

See accompanying notes and report of independent accountants.

VILLAGE OF FAYETTEVILLE

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Types <u>Enterprise</u>	Fiduciary Fund Types <u>Agency</u>	Totals (Memorandum Only) <u>Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for services	\$ 146,061	\$ -	\$ 146,061
Total operating cash receipts	146,061	-	146,061
<b>Operating Cash Disbursements:</b>			
Personal services	14,838	-	14,838
Fringe benefits	3,729	-	3,729
Contractual services	22,767	-	22,767
Supplies and materials	101,115	-	101,115
Other	8,142	-	8,142
Total operating cash disbursements	150,591	-	150,591
Operating loss	(4,530)	-	(4,530)
<b>Non-operating cash receipts:</b>			
Advances in	3,503	-	3,503
Miscellaneous receipts	9,993	75,916	85,909
Total non-operating cash receipts	13,496	75,916	89,412
<b>Non-operating cash disbursements:</b>			
Other non-operating cash disbursements	-	75,916	75,916
Total non-operating cash disbursements	-	75,916	75,916
Net receipts over disbursements	8,966	-	8,966
Fund cash balances, January 1	101,226	-	101,226
Fund cash balances, December 31	\$ 110,192	\$ -	\$ 110,192
Reserves for encumbrances, December 31	\$ -	\$ -	\$ -

See accompanying notes and report of independent accountants.

**VILLAGE OF FAYETTEVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 AND 2003**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Village of Fayetteville, Brown County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water utilities, street maintenance and repair and police 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash Deposits**

During the fiscal years 2004 and 2003, the Village funds were in an interest bearing checking account.

**D. Fund Accounting**

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

1. General Fund -

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

## 2. Special Revenue Funds -

These funds are used to 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:

### Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

### Police Fund

This fund receives local property tax money to provide police protection to Village residents.

## 3. Enterprise Funds -

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

### Water Fund

This fund receives charges for services from residents to cover the costs of providing this utility.

## 4. Fiduciary Funds (Agency Fund) -

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following agency fund:

### Mayor's Court

This fund collects and distributes court fines to the Village and the State. The open items at the end of the period make up the fund balance.

## **E. Budgetary Process**

The Ohio Revised Code requires the Village to budget annually.

### **a. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. The 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.

**b. 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.

**c. Encumbrances**

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. Equity in Pooled Cash and Investments**

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

	<u>2004</u>	<u>2003</u>
Total deposits	\$ 135,141	\$ 174,025

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

### 3. Budgetary Activity

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

#### 2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 174,300	\$ 134,197	\$ 40,103
Special revenue	40,265	45,767	(5,502)
Enterprise	<u>153,000</u>	<u>155,791</u>	<u>(2,791)</u>
Total	\$ <u>367,565</u>	\$ <u>335,755</u>	\$ <u>31,810</u>

#### 2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 216,549	\$ 163,939	\$ 52,610
Special revenue	46,586	33,555	13,031
Enterprise	<u>207,473</u>	<u>177,145</u>	<u>30,328</u>
Total	\$ <u>470,608</u>	\$ <u>374,639</u>	\$ <u>95,969</u>

#### 2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 133,443	\$ 161,122	\$ (27,679)
Special revenue	39,175	37,332	1,843
Enterprise	<u>168,000</u>	<u>159,557</u>	<u>8,443</u>
Total	\$ <u>340,618</u>	\$ <u>358,011</u>	\$ <u>(17,393)</u>

#### 2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 165,503	\$ 149,208	\$ 16,295
Special revenue	48,581	41,002	7,579
Enterprise	<u>235,712</u>	<u>150,591</u>	<u>85,121</u>
Total	\$ <u>449,796</u>	\$ <u>340,801</u>	\$ <u>108,995</u>



#### **4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. The second half payment is due the following June 20.

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

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

#### **5. Debt**

The Snow Removal Equipment Note was issued to purchase needed snow removal equipment in the original amount of \$4,700 on March 1, 2002. The outstanding balance of the note of \$2,750 was refinanced on February 22, 2003 at 5.95% interest. Payment of principal and accrued interest occurred on February 22, 2004. The note had a zero balance as of December 31, 2004.

The Police Cruiser Acquisition Note was issued to purchase a needed police cruiser in the original amount of \$4,800 on March 1, 2002. The outstanding balance of the note of \$2,850 was refinanced on February 22, 2003 at 5.95% interest. Payment of principal and accrued interest occurred on February 22, 2004. The note had a zero balance as of December 31, 2004.

#### **6. Retirement Systems**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS member employees contributed 8.50% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2004. The Village has paid all contributions required through December 31, 2004.

#### **7. Risk Pool Membership**

The Government belongs to the Ohio Government Risk Management Plan, (the "Plan"), an unincorporated non-profit association available to municipal

corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the member deductibles.

Casualty excess-of-loss contracts at December 31, 2004 and 2003 generally protect against individual losses exceeding \$125,000.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Plan cedes reinsures or excess reinsures. The Pool is contingently liable should any reinsure become unable to meet its obligations under the reinsurance agreements.

The Plan's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2004 and 2003:

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

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**



To the Village Council  
Village of Fayetteville  
Brown County

We have audited the accompanying financial statements of the Village of Fayetteville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 6, 2006, wherein we noted that the Village prepared its financial statements using accounting principles the Auditor of State established rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to initiate, record, process, and report financial data consistent with the assertion's of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item #2004-002.

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain Our

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provisions of laws, regulations, contracts and grants, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Audit Standards* and which are described in the accompanying schedule of findings and responses as item #2004-001.

We also noted certain additional matters that we reported to management of the Village in a separate letter dated January 6, 2006.

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

Handwritten signature in black ink, consisting of the letters 'C', 'S', and 'A' in a stylized, cursive font.

January 6, 2005

**VILLAGE OF FAYETTEVILLE**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.41 (D), requires that 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 to meet the obligation 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. This 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.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in ensuring fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, prior certification was not obtained for a significant amount of 2003 and 2004 vouchers reviewed and neither of the two exceptions provided for above were utilized. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Finance Director's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

## FINDING NUMBER 2004-002

### Reportable Condition

#### Criteria:

The Village should maintain proper stewardship over the utility accounting records.

#### Conditions and Causes:

During testing of the manual utility books, we found the following discrepancies:

- Delinquencies or credit balances are not always carried forward. Many delinquencies were over a year old and several had not been carried forward, therefore the customer was no longer being billed for the amount. Per Village Ordinance #328: "if a payment is not received within 10 days, a 10 percent late charge is added onto the total bill; if the late payment is not received in one month after the due date, water services will be shut off; if after 45 days the bill is still due, the clerk will turn the customer's name over to the county auditor for collections through taxes. While an account is on involuntarily terminated service, the meter to the address will be shut off, locked and service to the account will be denied." The Village did not follow the above policy for any delinquent accounts during the audit period.
- Columns on the 2003 and 2004 Consumer Receipts Ledger were not correctly totaled. Cash receipts collected and posted in the manual Consumer Receipts Ledger did not always agree to the amount deposited. Currently the Utility Clerk uses the Depository Reconciliation Book to reconcile deposits to the Village receipts, however the deposits do not always agree to amounts actually collected per the subsidiary records. Footing and transportation errors occurred between subsidiary records and the Depository Reconciliation Book resulting on errors.
- Tap-ins did not have documentation as the amount collected or size of tap-in installed. During testing we noted that the water department did not maintain a list of tap-ins paid to the Utility Department and that there were no monitoring controls in place over tap-in fees. The above could result in a tap-in being installed before payment is made and misappropriations of funds.

#### Recommendations:

To enhance accountability over Water receipts, we recommend the following controls be implemented:

- Due care should be exercised in carrying customer account information forward from month to month. All columns should be totaled in order to verify that outstanding delinquencies in one month equal delinquencies brought forward to the following month. We recommend that the Village follow their established policy for shut-off of services for delinquent accounts.

- Due care should be used in calculating all water bills. Bills should be calculated using the current rates approved by Council.
- Due care should be exercised in adding columns in the manual ledgers. Amount should be recalculated in order to ensure accuracy. We recommend that the Utility Clerk deposit the total amount received from customers. A monthly reconciliation between the Consumer Receipt Ledger and the reconciliation book should be performed. Upon checking the depository reconciliation book against the Consumer Receipt Ledger any differences would be noted.
- A monthly reconciliation between the Village's UAN records and the Depository Reconciliation Book should be approved by Council and the BPA.
- The Village water department should maintain a listing of all tap-ins installed and that a monthly reconciliation be performed between the tap-ins paid, reported by the water department and the tap-ins installed/overseen by the water department. The Village should initiate a system of internal control over the tap-in fee receipts. We recommend that the Utility Clerk reconcile tap-in fees paid to tap ins installed to ensure all fees are collected prior to installation and that customers that delay installation are given proper credit for prepayment of their tap-in fee. A prenumbered duplicate receipt book should be maintained to record all tap-in fees paid. An application should be issued when a tap-in is collected and should be stamped paid, and signed and dated by the clerk collecting the tap-in money. These applications should be pre-numbered and kept in a secure location. We recommend that all information on the application be completed, signed and dated by the applicant. This will help to hinder any misappropriation of funds.

**Effect:**

Without proper stewardship over the utility records, there is a higher risk of fraudulent activity and / or material misstatements to the financial position of the Village.

**Management Response:**

We concur with the comments and recommendations. The Village is currently addressing the issues listed.

VILLAGE OF FAYETTEVILLE

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</u>
2002-001	Revised code 5205.41 (D). Failure to certify funds	No	Not Corrected. Reported as a material noncompliance citation for fiscal year 2003 and 2004 finding number 2004-001.
2002-002	Revised code 5705.41 (B) failure to maintain disbursements below appreciations.	Yes	Finding no longer valid.
2002-003	Utility books discrepancies	No	Not Corrected. Reported as a reportable condition for fiscal year 2003 and 2004, finding number 2004-002





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**VILLAGE OF FAYETTEVILLE**

**BROWN 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  
MARCH 21, 2006**