

Village of Fayetteville

Brown County

Regular Audit

January 1, 2007 Through December 31, 2008

Fiscal Years Audited Under GAGAS: 2008 and 2007

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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Fayetteville, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2008. 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 Auditor'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 Auditor'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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 10, 2009

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VILLAGE OF FAYETTEVILLE
BROWN COUNTY

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Ohio Society of Certified Public Accountants

Independent Auditor's Report

Village Council
Village of Fayetteville
Brown County, Ohio
81 West Pike Street
Fayetteville, Ohio 45118

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, 2008 and 2007. 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, 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.

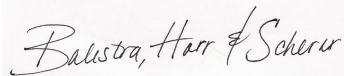
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and the reserves for encumbrances of the Village of Fayetteville, Brown County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 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 June 26, 2009 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.



Balestra, Harr & Scherer, CPAs, Inc.

June 26, 2009

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Governmental Fund Types | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | General | Special Revenue | |
| Cash Receipts: | | | |
| Property and Local Taxes | \$ 40,533 | \$ 23,543 | \$ 64,076 |
| Intergovernmental | 15,665 | 27,471 | 43,136 |
| Charges for Services | 225 | - | 225 |
| Fines, Licenses, and Permits | 56,122 | 4,190 | 60,312 |
| Interest | 881 | 56 | 937 |
| Miscellaneous | 560 | - | 560 |
| Total Cash Receipts | 113,986 | 55,260 | 169,246 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons & Property | 51,928 | 23,186 | 75,114 |
| Leisure Time Activities | 1,632 | - | 1,632 |
| Transportation | - | 19,644 | 19,644 |
| General Government | 57,922 | 776 | 58,698 |
| Debt Service: | | | |
| Redemption of Principal | 23,197 | - | 23,197 |
| Interest and Fiscal Charges | 2,000 | - | 2,000 |
| Total Cash Disbursements | 136,679 | 43,606 | 180,285 |
| Total Cash Receipts Over/(Under) Cash Disbursements | (22,693) | 11,654 | (11,039) |
| Other Financing Receipts and (Disbursements): | | | |
| Proceeds from Sale of Public Debt: | | | |
| Sale of Notes | 19,407 | - | 19,407 |
| Total Other Financing Receipts/(Disbursements) | 19,407 | - | 19,407 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (3,286) | 11,654 | 8,368 |
| Fund Cash Balances, January 1 | 19,087 | 13,188 | 32,275 |
| Fund Cash Balances, December 31 | \$ 15,801 | \$ 24,842 | \$ 40,643 |
| Reserve for Encumbrances, December 31 | \$ 9,525 | \$ 5,426 | \$ 14,951 |

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

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|--------------------------|------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 189,297 | \$ - | \$ 189,297 |
| Total Operating Cash Receipts | <u>189,297</u> | <u>-</u> | <u>189,297</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 17,849 | - | 17,849 |
| Employee Fringe Benefits | 5,182 | - | 5,182 |
| Contractual Services | 36,180 | - | 36,180 |
| Supplies & Maintenance | 119,921 | - | 119,921 |
| Other | 4,788 | - | 4,788 |
| Total Operating Cash Disbursements | <u>183,920</u> | <u>-</u> | <u>183,920</u> |
| Operating Income/(Loss) | <u>5,377</u> | <u>-</u> | <u>5,377</u> |
| Non-Operating Cash Receipts: | | | |
| OWDA Loan Proceeds | 110,766 | - | 110,766 |
| Other non-operating receipts | 63 | 67,231 | 67,294 |
| Total Non-Operating Cash Receipts | 110,829 | 67,231 | 178,060 |
| Non-Operating Cash Disbursements: | | | |
| Other non-operating disbursements | - | 67,231 | 67,231 |
| Capital Outlay | 107,818 | - | 107,818 |
| Total Non-Operating Cash Disbursements | <u>107,818</u> | <u>67,231</u> | <u>175,049</u> |
| Net Receipts Over/(Under) Disbursements | 8,388 | - | 8,388 |
| Fund Cash Balances, January 1 | <u>94,895</u> | <u>-</u> | <u>94,895</u> |
| Fund Cash Balances, December 31 | <u><u>\$ 103,283</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 103,283</u></u> |
| Reserve for Encumbrances, December 31 | <u><u>\$ 4,665</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 4,665</u></u> |

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

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY, OHIO**

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

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Local Taxes | \$ 46,509 | \$ 26,795 | \$ 73,304 |
| Intergovernmental | 13,558 | 23,380 | 36,938 |
| Charges for Services | 250 | - | 250 |
| Fines, Licenses, and Permits | 65,774 | 2,410 | 68,184 |
| Interest | 2,178 | 317 | 2,495 |
| Miscellaneous | 5,324 | - | 5,324 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 133,593 | 52,902 | 186,495 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons & Property | 53,875 | 28,660 | 82,535 |
| Leisure Time Activities | 1,736 | - | 1,736 |
| Community Environment | 147 | - | 147 |
| Transportation | - | 30,088 | 30,088 |
| General Government | 70,245 | - | 70,245 |
| Debt Service: | | | |
| Redemption of Principal | 25,060 | - | 25,060 |
| Interest and Fiscal Charges | 1,059 | - | 1,059 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 152,122 | 58,748 | 210,870 |
| Total Cash Receipts Over/(Under) Cash Disbursements | (18,529) | (5,846) | (24,375) |
| Other Financing Receipts and (Disbursements): | | | |
| Proceeds from Sale of Public Debt: | | | |
| Sale of Notes | 23,197 | - | 23,197 |
| | <hr/> | <hr/> | <hr/> |
| Total Other Financing Receipts/(Disbursements) | 23,197 | - | 23,197 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 4,668 | (5,846) | (1,178) |
| Fund Cash Balances, January 1 | 14,419 | 19,034 | 33,453 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | \$ 19,087 | \$ 13,188 | \$ 32,275 |
| | <hr/> | <hr/> | <hr/> |
| Reserve for Encumbrances, December 31 | \$ 344 | \$ 426 | \$ 770 |
| | <hr/> | <hr/> | <hr/> |

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

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY, OHIO**

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

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 195,183 | \$ - | \$ 195,183 |
| Total Operating Cash Receipts | <u>195,183</u> | <u>-</u> | <u>195,183</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 18,240 | - | 18,240 |
| Employee Fringe Benefits | 5,132 | - | 5,132 |
| Contractual Services | 19,970 | - | 19,970 |
| Supplies & Maintenance | 117,081 | - | 117,081 |
| Total Operating Cash Disbursements | <u>160,423</u> | <u>-</u> | <u>160,423</u> |
| Operating Income/ (Loss) | <u>34,760</u> | <u>-</u> | <u>34,760</u> |
| Non-Operating Cash Receipts: | | | |
| OWDA Loan Proceeds | 164,234 | - | 164,234 |
| Other non-operating receipts | 634 | 75,433 | 76,067 |
| Total Non-Operating Cash Receipts | <u>164,868</u> | <u>75,433</u> | <u>240,301</u> |
| Non-Operating Cash Disbursements: | | | |
| Other non-operating disbursements | - | 75,433 | 75,433 |
| Capital Outlay | 164,100 | - | 164,100 |
| Total Non-Operating Cash Disbursements | <u>164,100</u> | <u>75,433</u> | <u>239,533</u> |
| Net Receipts Over/(Under) Disbursements | <u>35,528</u> | <u>-</u> | <u>35,528</u> |
| Fund Cash Balances, January 1 | <u>59,367</u> | <u>-</u> | <u>59,367</u> |
| Fund Cash Balances, December 31 | <u>\$ 94,895</u> | <u>\$ -</u> | <u>\$ 94,895</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 122</u> | <u>\$ -</u> | <u>\$ 122</u> |

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

Village of Fayetteville
Brown County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007

NOTE 1 - 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

GENERAL FUND

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures 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 monies for constructing, maintaining and repairing Village streets.

Police Fund: This fund receives money to provide police protection for Village residents.

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.

**Village of Fayetteville
Brown County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

FIDUCIARY 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.

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. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency fund, are legally required to be budgeted and appropriated. The primary level of budgetary control is the object level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The express purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Village of Fayetteville
Brown County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. The Village did adopt supplemental appropriations during 2008 and 2007.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Village had no outstanding encumbrances at December 31, 2008 or 2007.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

D. CASH AND CASH EQUIVALENTS

During 2008 and 2007, the Village funds were maintained in an interest bearing checking account and a certificate of deposit.

E. PROPERTY , PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village’s funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis, are recorded when received in accordance with the Village’s cash basis of accounting.

G. ACCUMULATED LEAVE

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

H. TOTAL COLUMNS OF FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis.

Village of Fayetteville
Brown County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budget vs. Actual Receipts

| Fund Type | Budgeted | Actual | Variance |
|-----------------|------------------|------------------|-----------------|
| | Receipts | Receipts | |
| General | \$142,838 | \$133,393 | (\$9,445) |
| Special Revenue | 56,211 | 55,260 | (951) |
| Enterprise | 260,000 | 300,126 | 40,126 |
| Total | \$459,049 | \$488,779 | \$29,730 |

2008 Budget vs. Actual Budgetary Basis Expenditures

| Fund Type | Budgeted | Actual | Variance |
|-----------------|------------------|------------------|-----------------|
| | Expenses | Expenses | |
| General | \$161,925 | \$146,204 | \$15,721 |
| Special Revenue | 69,395 | 49,032 | 20,363 |
| Enterprise | 353,739 | 296,403 | 57,336 |
| Total | \$585,059 | \$491,639 | \$93,420 |

2007 Budget vs. Actual Receipts

| Fund Type | Budgeted | Actual | Variance |
|-----------------|------------------|------------------|------------------|
| | Receipts | Receipts | |
| General | \$150,039 | \$156,790 | \$6,751 |
| Special Revenue | 54,800 | 52,902 | (1,898) |
| Enterprise | 165,000 | 360,051 | 195,051 |
| Total | \$369,839 | \$569,743 | \$199,904 |

2007 Budget vs. Actual Budgetary Basis Expenditures

| Fund Type | Budgeted | Actual | Variance |
|-----------------|------------------|------------------|-------------------|
| | Expenses | Expenses | |
| General | \$164,458 | \$152,466 | \$11,992 |
| Special Revenue | 73,331 | 59,174 | 14,157 |
| Enterprise | 223,906 | 324,645 | (100,739) |
| Total | \$461,695 | \$536,285 | (\$74,590) |

Village of Fayetteville
Brown County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007

NOTE 4 – PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the County. 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. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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 taxes, billing, collecting, and distributing all property taxes on behalf of the Village.

NOTE 5 – DEBT OBLIGATIONS

Debt outstanding at December 31, 2008 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|-----------------------------|------------------|----------------------|
| Police Cruiser | \$3,205 | 7.00% |
| Snow Removal Equipment Note | 16,202 | 7.00% |
| OWDA | <u>275,000</u> | 1.50% |
| Total | <u>\$294,407</u> | |

The Snow Removal Equipment Note was issued to purchase a dump truck in the original amount of \$21,097 on August 5, 2005. The note is refinanced annually. The note had a balance of \$16,202 as of December 31, 2008.

The Police Cruiser Acquisition Note was originally issued in 2004 to purchase a needed police cruiser in the amount of \$8,050. The note is refinanced annually. The outstanding balance of the note has an interest rate of 7.00%. The note had a balance of \$3,205 as of December 31, 2008.

The Village borrowed \$275,000 from OWDA to move a water tower that was contributed to them. Payments commence in 2009 and continue for 30 years. The balance owed as of December 31, 2008 was \$275,000.

Village of Fayetteville
Brown County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007

NOTE 5 – DEBT OBLIGATIONS - (Continued)

Amortization of the above OWDA debt is scheduled as follows:

| For the Year Ended December 31, | |
|---------------------------------------|------------------|
| 2009 | \$11,421 |
| 2010 | 11,421 |
| 2011 | 11,421 |
| 2012 | 11,421 |
| 2013 | 11,421 |
| 2014-2018 | 57,105 |
| 2019-2023 | 57,105 |
| 2024-2028 | 57,105 |
| 2029-2033 | 57,105 |
| Thereafter | 45,684 |
| Total | <u>\$331,209</u> |

NOTE 6 – RISK MANAGEMENT

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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 coverage, 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 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$250,000 of casualty losses and the lesser of 10% or \$100,000,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

The Plan’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.

| | <u>2008</u> | <u>2007</u> |
|-----------------|--------------------|--------------------|
| 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.

Village of Fayetteville
Brown County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007

NOTE 7 - RETIREMENT SYSTEM

Some Village Council members have elected to 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 2008 and 2007, OPERS participants contributed 10% and 9.5% respectively, of their wages. The Village contributed amounts equal to 14.0% and 13.85% of participants' gross salaries for 2008 and 2007, respectively. The Village has paid all contributions required through December 31, 2008.

NOTE 8 - 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 was as follows:

| | | |
|----------------|-------------|-------------|
| | <u>2008</u> | <u>2007</u> |
| Total Deposits | \$143,926 | \$127,170 |

All deposits were either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution as of December 31, 2008 and 2007.

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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*

Village Council
Village of Fayetteville
Brown County, Ohio
81 West Pike Street
Fayetteville, Ohio 45118

We have audited the financial statements of the Village of Fayetteville, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 26, 2009 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007/2008-002.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2007/2008-002 is also a material weakness.

Village of Fayetteville

Brown County, Ohio

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*

Page 2

Internal Control Over Financial Reporting (Continued)

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 26, 2009.

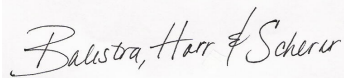
Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested in compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our test disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item: 2007/2008-001.

We also noted certain noncompliance or other matters note requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 26, 2009.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 and the Village Council. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

June 26, 2009

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

FINDING NUMBER 2007/2008-001

Noncompliance Citation - Timely Deposits

Ohio Revised Code Section 9.38 requires public money to be deposited with the fiscal officer of the public office *or* to a designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

During test work on Charges for Services we noted that the utility clerk is only making deposits once a week.

The Village should make deposits daily. If the daily receipts do not exceed \$1000 and the receipts can be safeguarded then the Village may adopt a policy allowing the official to hold the monies past the next business day but no later than three business days.

Client Response:

Deposits will be made within 3 days unless it totals \$1,000 and then it will be made immediately.

FINDING NUMBER 2007/2008-002

Material Weakness - Monitoring of Financial Activity

We noted several instances in which transactions were not posted to correct line items or not recorded in the Village's financial records. Inaccurate or incomplete posting of transactions impedes the ability of the Council to accurately assess the financial status of the Village. Examples of such deficiencies were noted as follows:

- Mayor's Court financial transactions were not presented in the financial statements presented for audit. 2008 unrecorded disbursements were \$67,231 and unrecorded receipts were \$67,231. 2007 unrecorded disbursements were \$75,433 and unrecorded receipts were \$75,433.
- Debt refinancing activities were not recorded in the General fund for 2007: related unrecorded debt principal payments were \$23,177, unrecorded general government expenses of \$20, and unrecorded note proceeds were \$23,197. For 2008, related unrecorded debt principal payments were \$19,197 unrecorded general government expenses of \$210, and unrecorded note proceeds were \$19,407.
- Certain intergovernmental revenues were recorded as tax revenues by the Village Fiscal Officer. \$12,674 in the General Fund was recorded as tax, it should have been \$2,118 in intergovernmental General Fund, \$8,175 as tax in the Police Fund and \$2,381 as intergovernmental in the Police Fund.

The accompanying financial statements have been adjusted to properly reflect the above transactions.

The aforementioned errors were the result of a lack of controls over the financial reporting.

The Fiscal Officer should attend training on the Uniform Accounting Network and the AoS basis of accounting followed by the Village. The Fiscal Officer should follow the Uniform Accounting Network manual when posting all transactions. Further, the Village should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Council to ensure that errors and omissions are timely identified and corrected.

Client Response:

The UAN manual will be used when needed and errors will be corrected. The Council will review financial statements to ensure errors are identified.

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY, OHIO
DECEMBER 31, 2008 AND 2007
SCHEDULE OF PRIOR AUDIT FINDINGS**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|--|-------------------------|--|
| 2005/2006-001 | Noncompliance Citation : Ohio Revised Code Section 9.38 Deposit of public money | No | Not corrected 2007/2008-001 |
| 2005/2006-002 | Noncompliance Citation : Ohio Rev. Code Section 135.18 security for repaying public deposits | Yes | |
| 2005/2006-003 | Material Weakness: Monitoring of Financial Activity | No | Not corrected 2007/2008-002 |



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 22, 2009**