

428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569



**VILLAGE OF FAYETTE
FULTON COUNTY
Regular Audit
For the Years Ended December 31, 2015 and 2014**

www.perrycpas.com

...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Fayette
P. O. Box 87
Fayette, Ohio 43524

We have reviewed the *Independent Auditor's Report* of the Village of Fayette, Fulton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 14, 2016

This page intentionally left blank.

VILLAGE OF FAYETTE
FULTON COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Independent Auditor's Report | 1 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015 | 3 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2015 | 4 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014 | 5 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2014 | 6 |
| Notes to the Financial Statements | 7 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 17 |
| Schedule of Audit Findings | 19 |
| Schedule of Prior Audit Findings | 20 |



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

INDEPENDENT AUDITOR'S REPORT

July 18, 2016

Village of Fayette
Fulton County
P.O. Box 87
Fayette, Ohio 43524

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Fayette**, Fulton County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

...***"bringing more to the table"***

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Fayette, Fulton County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF FAYETTE
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Project Fund</u> | <u>Totals (Memorandum Only)</u> |
|--|-------------------|----------------------------|-------------------------------------|---|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 50,048 | \$ 29,563 | \$ 8,342 | \$ 87,953 |
| Municipal Income Tax | 346,504 | - | 7,374 | 353,878 |
| Intergovernmental | 44,234 | 65,370 | 31,028 | 140,632 |
| Charges for Services | 2,562 | 8,870 | - | 11,432 |
| Fines, Licenses and Permits | 4,010 | 95 | - | 4,105 |
| Earnings on Investments | 3,980 | 810 | - | 4,790 |
| Miscellaneous | 13,728 | 9,922 | 9,621 | 33,271 |
| <i>Total Cash Receipts</i> | <u>465,066</u> | <u>114,630</u> | <u>56,365</u> | <u>636,061</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 235,289 | - | - | 235,289 |
| Leisure Time Activities | - | 31,267 | - | 31,267 |
| Community Environment | 1,815 | - | - | 1,815 |
| Transportation | 34,293 | 43,062 | - | 77,355 |
| General Government | 194,858 | 609 | 16 | 195,483 |
| Capital Outlay | 47,663 | 11,485 | 392,398 | 451,546 |
| Debt Service: | | | | |
| Principal Retirement | - | - | 789 | 789 |
| <i>Total Cash Disbursements</i> | <u>513,918</u> | <u>86,423</u> | <u>393,203</u> | <u>993,544</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(48,852)</u> | <u>28,207</u> | <u>(336,838)</u> | <u>(357,483)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Other Debt Proceeds | - | - | 320,666 | 320,666 |
| Other Sources | - | 1 | - | 1 |
| Other Financing Uses | (1,975) | (5) | - | (1,980) |
| <i>Total Other Financing Receipts</i> | <u>(1,975)</u> | <u>(4)</u> | <u>320,666</u> | <u>318,687</u> |
| <i>Net Change in Fund Cash Balances</i> | (50,827) | 28,203 | (16,172) | (38,796) |
| <i>Fund Cash Balances, January 1</i> | <u>793,249</u> | <u>146,560</u> | <u>144,838</u> | <u>1,084,647</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 174,763 | 113,643 | 288,406 |
| Committed | - | - | 15,023 | 15,023 |
| Assigned | 2,335 | - | - | 2,335 |
| Unassigned | 740,087 | - | - | 740,087 |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 742,422</u> | <u>\$ 174,763</u> | <u>\$ 128,666</u> | <u>\$ 1,045,851</u> |

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

**VILLAGE OF FAYETTE
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | Proprietary Fund Type |
|---|----------------------------------|
| | Enterprise |
| Operating Cash Receipts | |
| Charges for Services | \$ 488,969 |
| Fees, License and Permits | 4,016 |
| Miscellaneous | 12,411 |
| | <u>12,411</u> |
| <i>Total Operating Cash Receipts</i> | <u>\$505,396</u> |
| Operating Cash Disbursements | |
| Personal Services | 154,705 |
| Transportation | 2,194 |
| Contractual Services | 119,728 |
| Supplies and Materials | 26,491 |
| Other - Capital Outlay | 58,955 |
| | <u>58,955</u> |
| <i>Total Operating Cash Disbursements</i> | <u>362,073</u> |
| <i>Operating Income</i> | <u>143,323</u> |
| Non-Operating Receipts (Disbursements) | |
| Property and Other Local Taxes | 14,732 |
| Intergovernmental Receipts | 20,000 |
| Earnings on Investments | 1,303 |
| Principal Retirement | (171,059) |
| Interest and Fiscal Charges | (25,810) |
| Other Non-Operating Receipts | 19,513 |
| Other Non-Operating Disbursements | (6,497) |
| | <u>(6,497)</u> |
| <i>Total Non-Operating (Disbursements)</i> | <u>(147,818)</u> |
| <i>(Loss) before Transfers</i> | <u>(4,495)</u> |
| Transfer-In | 89,437 |
| Transfer-Out | (89,437) |
| | <u>(89,437)</u> |
| <i>Net Change in Fund Cash Balances</i> | (4,495) |
| <i>Fund Cash Balances, January 1</i> | <u>580,269</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$ 575,774</u></u> |

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

VILLAGE OF FAYETTE
FULTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Project Fund</u> | <u>Totals (Memorandum Only)</u> |
|---|-------------------|----------------------------|-------------------------------------|---|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 54,166 | \$ 31,760 | \$ 9,009 | \$ 94,935 |
| Municipal Income Tax | 353,030 | - | 7,455 | 360,485 |
| Intergovernmental | 38,678 | 61,321 | 451,122 | 551,121 |
| Charges for Services | 1,992 | 10,995 | - | 12,987 |
| Fines, Licenses and Permits | 7,115 | 245 | - | 7,360 |
| Earnings on Investments | 5,768 | 1,033 | - | 6,801 |
| Miscellaneous | 10,255 | 5,080 | 2,719 | 18,054 |
| <i>Total Cash Receipts</i> | <u>\$471,004</u> | <u>\$110,434</u> | <u>470,305</u> | <u>1,051,743</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 238,364 | - | - | 238,364 |
| Leisure Time Activities | - | 28,028 | - | 28,028 |
| Community Environment | 2,015 | - | - | 2,015 |
| Transportation | 17,611 | 59,839 | - | 77,450 |
| General Government | 182,218 | 617 | 66 | 182,901 |
| Capital Outlay | 30,432 | 42,455 | 1,067,574 | 1,140,461 |
| Debt Service: | | | | |
| Principal Retirement | - | - | 789 | 789 |
| <i>Total Cash Disbursements</i> | <u>470,640</u> | <u>130,939</u> | <u>1,068,429</u> | <u>1,670,008</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>364</u> | <u>(20,505)</u> | <u>(598,124)</u> | <u>(618,265)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Other Debt Proceeds | - | | 635,276 | 635,276 |
| Sale of Fixed Assets | - | 40 | - | 40 |
| Other Sources | - | 50 | - | 50 |
| Other Financing Uses | (1,446) | - | - | (1,446) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(1,446)</u> | <u>90</u> | <u>635,276</u> | <u>633,920</u> |
| <i>Net Change in Fund Cash Balances</i> | (1,082) | (20,415) | 37,152 | 15,655 |
| <i>Fund Cash Balances, January 1</i> | <u>794,331</u> | <u>166,975</u> | <u>107,686</u> | <u>1,068,992</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 146,560 | 121,992 | 268,552 |
| Committed | 14,455 | | 22,846 | 37,301 |
| Assigned | 1,418 | - | - | 1,418 |
| Unassigned | 777,376 | - | - | 777,376 |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 793,249</u> | <u>\$ 146,560</u> | <u>\$ 144,838</u> | <u>\$ 1,084,647</u> |

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

**VILLAGE OF FAYETTE
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>Proprietary Fund Type</u> |
|--|----------------------------------|
| | <u>Enterprise</u> |
| Operating Cash Receipts | |
| Charges for Services | \$ 472,227 |
| Fees, License and Permits | 867 |
| Miscellaneous | 10,477 |
| | 483,571 |
| <i>Total Operating Cash Receipts</i> | <i>483,571</i> |
| Operating Cash Disbursements | 153,575 |
| Personal Services | 188 |
| Transportation | 67,589 |
| Contractual Services | 51,593 |
| Supplies and Materials | - |
| Other-Capital Outlay | 95,370 |
| | 368,315 |
| <i>Total Operating Cash Disbursements</i> | <i>368,315</i> |
| <i>Operating Income</i> | <i>115,256</i> |
| Non-Operating Receipts (Disbursements) | |
| Property and Other Local Taxes | 13,467 |
| Intergovernmental Receipts | 66,800 |
| Earnings on Investments | 1,312 |
| Miscellaneous | 55 |
| Principal Retirement | (168,046) |
| Interest and Fiscal Charges | (29,020) |
| Other Non-Operating Receipts | 11,196 |
| Other Non-Operating Disbursements | (4,832) |
| | (109,068) |
| <i>Total Non-Operating (Disbursements)</i> | <i>(109,068)</i> |
| <i>Income (Loss) Before Transfers and Advances</i> | <i>6,188</i> |
| Transfer-In | 86,700 |
| Transfer-Out | (86,700) |
| <i>Net Change in Fund Cash Balances</i> | <i>6,188</i> |
| <i>Fund Cash Balances, January 1</i> | <i>574,081</i> |
| <i>Fund Cash Balances, December 31</i> | <i>\$ 580,269</i> |

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

Cash accounts are valued at cost. The Village has certificates of deposits and participates in the CDARS program. The Village values its repurchase agreements at cost.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

3. Capital Funds

These funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

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

Street Improvements Fund – This fund receives tax levy monies for the purpose of constructing, maintaining and repairing Village streets.

Sewer Separation Project Fund – This fund receives a combination of debt and grant funding from the Ohio Public Works Commission and grant funding from the Ohio Development Service Agency.

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.

Sewer Enhancement Fund - This fund receives charges for services from residents for future construction, repair, or maintenance of the Village's Sewer System.

VILLAGE OF FAYETTE
FULTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

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

| | 2015 | 2014 |
|--------------------------------|--------------|--------------|
| Demand Deposits | \$ 610,134 | \$ 656,906 |
| Certificates of Deposits | 311,281 | 308,010 |
| Total Deposits | 921,415 | 964,916 |
| | | |
| Repurchase Agreement | 700,210 | 700,000 |
| Total Deposits and Investments | \$ 1,621,625 | \$ 1,664,916 |

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

| 2015 Budgeted vs. Actual Budgetary Basis Receipts | | | |
|---|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 476,665 | \$ 465,066 | \$ 11,599 |
| Special Revenue | 110,040 | 114,631 | (4,591) |
| Capital Projects | 354,584 | 377,031 | (22,447) |
| Enterprise | 604,650 | 650,381 | (45,731) |
| Total | \$ 1,545,939 | \$ 1,607,109 | \$ (61,170) |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 612,148 | \$ 518,228 | 93,920 |
| Special Revenue | 140,545 | 89,067 | 51,478 |
| Capital Projects | 211,765 | 198,103 | 13,662 |
| Enterprise | 758,684 | 695,440 | 63,244 |
| Total | \$ 1,723,142 | \$ 1,500,838 | \$ 222,304 |

| 2014 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 371,980 | \$ 471,004 | \$ 99,024 |
| Special Revenue | 98,830 | 110,524 | 11,694 |
| Capital Projects | 1,331,000 | 1,105,581 | (225,419) |
| Enterprise | 537,250 | 663,101 | 125,851 |
| Total | \$ 2,339,060 | \$ 2,350,210 | \$ 11,150 |

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 549,592 | \$ 487,960 | \$ 61,632 |
| Special Revenue | 210,067 | 131,289 | 78,778 |
| Capital Projects | 1,073,954 | 1,068,429 | 5,525 |
| Enterprise | 765,274 | 666,072 | 99,202 |
| Total | \$ 2,598,887 | \$ 2,353,750 | \$ 245,137 |

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

| | Principal | Interest Rate |
|--|--------------|---------------|
| Mortgage Revenue Bonds | \$ 366,000 | 5.00% |
| Ohio Water Development Authority (OWDA) Loan #3731 | 51,726 | 5.14% |
| Ohio Water Development Authority (OWDA) Loan #4172 | 26,469 | 0.00% |
| Ohio Water Development Authority (OWDA) Loan #4573 | 28,047 | 2.00% |
| Ohio Water Development Authority (OWDA) Loan #4706 | 48,959 | 2.00% |
| Ohio Water Development Authority (OWDA) Loan #5137 | 59,512 | 0.00% |
| Ohio Water Development Authority (OWDA) Loan #6347 | 1,455,295 | 0.00% |
| Ohio Public Works Commission (OPWC) Loan #CE47P | 142,992 | 0.00% |
| Ohio Public Works Commission (OPWC) Loan #CE32D | 39,895 | 0.00% |
| Ohio Public Works Commission (OPWC) Loan #CE38E | 22,318 | 0.00% |
| Ohio Public Works Commission (OPWC) Loan #CE15L | 14,049 | 0.00% |
| Ohio Public Works Commission (OPWC) Loan #CE32N | 41,286 | 0.00% |
| Ohio Public Works Commission (OPWC) Loan #CE20N | 13,023 | 0.00% |
| Total | \$ 2,309,571 | |

The Mortgage Revenue bonds consist of Waterworks System First Mortgage Revenue Bonds for the purpose of paying a portion of the costs of improvements made on the municipal waterworks system. Improvements consisted of construction of a water treatment plant, storage facilities and water lines.

Ohio Water Development Authority (OWDA) Loan #3731 relates to the combined sewer separation project. OWDA approved up to \$117,582 in loans to the Village; however, the Village only borrowed \$68,711 for this project. The Village will repay the loan in semiannual installments of \$2,259, including interest, over 30 years. The Village has agreed to set sewer rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) Loan #4172 relates to the West End sanitary sewer extension project. OWDA approved up to \$95,392 in loans to the Village; however, the Village only borrowed \$58,820 for this project. The Village will repay the loan in semiannual installments of \$1,471 over 20 years. The Village has agreed to set sewer rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT (Continued)

Ohio Water Development Authority (OWDA) Loan #4573 relates to the water treatment plant repairs project. OWDA approved up to \$53,344 in loans to the Village; however, the Village only borrowed \$48,837 for this project. The Village will repay the loan in semiannual installments of \$1,488, including interest, over 20 years. The Village has agreed to set water enhancement rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) Loan #4706 relates to wastewater treatment plant repairs project. OWDA approved up to \$78,692 in loans to the Village; however, the Village only borrowed \$78,588 for this project. The Village will repay the loan in semiannual installments of \$2,394, including interest, over 20 years. The Village has agreed to set water enhancement rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) Loan #5137 relates to Phase I of the long term control plan which consists of upgrades to the sewer system's lagoon and main pumping station. OWDA approved up to \$98,500 in loans to the Village; however, the Village only borrowed \$79,350 for this project. The Village will repay the loan in semiannual installments of \$1,984 over 20 years. The Village has agreed to set sewer enhancement rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) Loan #6347 relates to the long term control plan related to the combined sewer separation project undertaken by the Village. The OWDA approved up to \$5,774,056 in loans to the Village; however, the Village has only borrowed \$5,755,857 for this project as of December 31, 2015. This Project is funded through the Water Pollution Control Loan Fund, of which \$4,137,904 of the commitment is principal forgiveness and \$1,636,152 is to be repaid by the Village. An amortization schedule has not been finalized for this loan. The Village will repay the loan in semiannual installments of a yet to be determined amount over 20 years with no interest. Sewer receipts collateralize the loans.

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

The Ohio Public Works Commission (OPWC) loan #CE15L relates to Phase 1 of the long term control plan which consists of upgrades to the sewer system's lagoon and main pumping station. OPWC has approved up to \$50,391 in loans to the Village; however, the Village has only borrowed \$18,732 for this project as of December 31, 2015. The Village will repay the loan in semiannual installments of \$468 over 20 years. Sewer receipts collateralize the loans.

The Ohio Public Works Commission (OPWC) loan #CE20N relates to the Gamble Road Widening project. OPWC has approved up to \$125,000 in loans to the Village; however, the Village has only borrowed \$15,785 for this project as of December 31, 2015. The Village will repay the loan in semiannual installments of \$395 over 20 years. Sewer receipts collateralize the loans.

The Ohio Public Works Commission (OPWC) loan #CE32N relates to the New Fulton Street Lift Station project. OPWC has approved up to \$56,610 in loans to the Village; however, the Village has only borrowed \$47,184 for this project as of December 31, 2015. The Village will repay the loan in semiannual installments of \$1,180 over 20 years. Sewer receipts collateralize the loans.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT (Continued)

The Ohio Public Works Commission (OPWC) loan #CE47P relates to the Village-wide resurfacing project. OPWC has approved up to \$401,000 in loans to the Village; however, the Village has only borrowed \$150,518 for this project as of December 31, 2015. The Village will repay the loan in semiannual installments of \$7,526 over 10 years. Sewer receipts collateralize the loans.

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

| Year ending December 31: | Mortgage Revenue | | |
|--------------------------|-------------------|---------------------|-------------------|
| | Bonds | OWDA Loans | OPWC Loans |
| 2016 | 84,300 | 100,037 | 27,462 |
| 2017 | 85,000 | 100,037 | 27,462 |
| 2018 | 84,500 | 100,037 | 27,462 |
| 2019 | 84,850 | 100,037 | 27,462 |
| 2020 | 84,000 | 100,037 | 27,462 |
| 2021-2025 | - | 497,244 | 97,059 |
| 2026-2030 | - | 456,033 | 19,957 |
| 2031-2035 | - | 253,842 | 5,902 |
| Total | <u>\$ 422,650</u> | <u>\$ 1,707,304</u> | <u>\$ 260,228</u> |

6. RETIREMENT SYSTEMS

The Village's full time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OP&F members contributed 11.5% of their wages and the Village contributed to OP&F an amount equal to 19.5% of full-time police officers wages through July 1, 2015. After July 2, 2015, the participant contributions increased to 12.25% of gross wages. For 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village had paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available):

| | <u>2013</u> | <u>2014</u> |
|-----------------|--------------------|--------------------|
| Assets | \$13,774,304 | \$14,830,185 |
| Liabilities | (7,968,359) | (8,942,504) |
| Members' Equity | <u>\$5,805,909</u> | <u>\$5,887,681</u> |

8. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% on all income earned by residents of the Village and upon all income earned within the Village limits by non-residents 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 individual taxpayers file a declaration annually.

The income tax was levied for the purpose of providing funds for general municipal operations, police protection, maintenance of equipment, new equipment, extension enlargement and improvement of all municipal services, facilities, and capital improvements, including water and sewer service.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. The CDBG (Community Development Block Grant) agency has determined that \$5,871.04 will need to be repaid to the agency in 2016.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

9. SUBSEQUENT EVENTS

On January 29, 2016 the Village finalized the sale for \$40,000 of the former Village Municipal Office building located at 125 W. Main, Fayette, OH.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

July 18, 2016

Village of Fayette
Fulton County
P.O. Box 87
Fayette, OH 43524

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of Fayette**, Fulton County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 18, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider audit finding 2015-001 to be a material weakness.



...*"bringing more to the table"*

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •

• Association of Certified Anti - Money Laundering Specialists •



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, opining 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*.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 18, 2016.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF FAYETTE
FULTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Material Weakness

Posting Disbursements

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

During 2015 and 2014, disbursements were not always posted or classified correctly. The following posting errors were noted:

- Prior audit adjustments were not properly made to the system;
- Debt Proceeds and Capital Outlay for new debt and additions to current debt were not properly recorded in 2015;
- Debt payments were posted to Capital Outlay instead of Principal Retirement in 2015.

Not posting disbursements accurately resulted in the financial statements requiring several reclassification and adjusting entries. The Financial Statements reflect all reclassifications and adjustments. The Village has made these adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of disbursement accounts and posting of disbursements.

Management's Response – Management has been made aware of the issue and has begun to implement new policies to address the issue. The Council also has a new Fiscal Officer and staff to aid in resolving the problems brought to our attention by the auditor.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2013-001 | Reconciliation of Income tax Subsidiary System | Yes | Corrected |
| 2013-002 | Bank Reconciliations | Yes | Corrected |
| 2013-003 | Posting Receipts, Disbursements and Classification of Fund Balances | No | Reissued as Finding 2015-001 |
| 2013-004 | 5705.41(D) | Yes | Corrected |
| 2013-005 | Missing or Destroyed Records | Yes | Corrected |
| 2013-006 | Federal Reporting – Filing Single Audits timely | Yes | Finding No Longer Valid |

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF FAYETTE

FULTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2016