



**Auditor of State
Betty Montgomery**

VILLAGE OF FAYETTEVILLE
BROWN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

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, 2002 and 2001. 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 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 23, 2003

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$31,720	\$10,398		\$42,118
Intergovernmental Receipts	20,119	24,610	\$80,693	125,422
Charges for Services	2,630			2,630
Earnings on Investments	1,076	303		1,379
Licenses, Permits, and Fees	47,824	3,330		51,154
Miscellaneous	12,055			12,055
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	115,424	38,641	80,693	234,758
Cash Disbursements:				
Current:				
Security of Persons and Property	43,615	12,578		56,193
Public Health Services	809			809
Leisure Time Activities	20,964			20,964
Basic Utility Services	1,049			1,049
Transportation		24,218		24,218
General Government	45,050			45,050
Debt Service:				
Principal Payments	15,500			15,500
Interest Payments	1,067			1,067
Capital Outlay	8,917		80,693	89,610
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	136,971	36,796	80,693	254,460
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(21,547)	1,845	-	(19,702)
Other Financing Receipts:				
Sale of Bonds or Notes	9,500			9,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	9,500			9,500
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(12,047)	1,845	-	(10,202)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	42,462	11,044		53,506
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$30,415	\$12,889	-	\$43,304
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$937</u>	<u></u>	<u></u>	<u>\$937</u>

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**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, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$171,983		\$171,983
Total Operating Cash Receipts	171,983	-	171,983
Operating Cash Disbursements:			
Personal Services	14,566		14,566
Fringe Benefits	3,569		3,569
Contractual Services	21,698		21,698
Supplies and Materials	107,491		107,491
Capital Outlay	431		431
Total Operating Cash Disbursements	147,755	-	147,755
Operating Income	24,228	-	24,228
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		46,536	46,536
Total Non-Operating Cash Disbursements	-	46,536	46,536
Non-Operating Cash Disbursements:			
Other Non-Operating Disbursements		(46,536)	(46,536)
Interest and Other Fiscal Charges	(955)		(955)
Total Non-Operating Cash Disbursements	(955)	(46,536)	(47,491)
Net Receipts Over Disbursements	23,273	-	23,273
Fund Cash Balances, January 1	77,953		77,953
Fund Cash Balances, December 31	\$101,226	-	\$101,226

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$26,286	\$11,711	\$37,997
Intergovernmental Receipts	55,520	22,381	77,901
Charges for Services	3,218		3,218
Earnings on Investments	1,407	397	1,804
Licenses, Permits, and Fees	51,712	2,755	54,467
Miscellaneous	4,582		4,582
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	142,725	37,244	179,969
Cash Disbursements:			
Current:			
Security of Persons and Property	54,898	12,550	67,448
Public Health Services	788		788
Leisure Time Activities	1,160		1,160
Basic Utility Services	1,247		1,247
Transportation		17,819	17,819
General Government	50,748		50,748
Debt Service:			
Principal Payments	2,000		2,000
Interest Payments	307		307
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	111,148	30,369	141,517
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	31,577	6,875	38,452
Other Financing Receipts and (Disbursements):			
Sale of Bonds or Notes	6,800		6,800
Transfers-Out	(5,000)		(5,000)
Other Financing Uses	(48)		(48)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	1,752	-	1,752
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	33,329	6,875	40,204
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	9,267	3,920	13,187
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$42,596	\$10,795	\$53,391
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$913		\$913
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	142,354		\$142,354
Total Operating Cash Receipts	142,354	-	142,354
Operating Cash Disbursements:			
Personal Services	15,811		15,811
Fringe Benefits	3,372		3,372
Contractual Services	16,843		16,843
Supplies and Materials	94,801		94,801
Miscellaneous	500		500
Total Operating Cash Disbursements	131,327	-	131,327
Operating Income	11,027	-	11,027
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		51,857	51,857
Total Non-Operating Cash Disbursements	-	51,857	51,857
Non-Operating Cash Disbursements:			
Other Non-Operating Disbursements		(51,857)	(51,857)
Debt Service - Other	(1,910)		(1,910)
Total Non-Operating Cash Disbursements	(1,910)	(51,857)	(53,767)
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	9,117	-	9,117
Transfers-In	5,000		5,000
Net Receipts Over Disbursements	14,117	-	14,117
Fund Cash Balances, January 1	63,951		63,951
Fund Cash Balances, December 31	78,068	-	\$78,068

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

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 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

The Village deposits funds into an interest bearing checking account.

D. Fund Accounting

The Village uses fund accounting to segregate cash deposits that are restricted as 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.

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Projects Fund

This fund is used to account for receipts restricted for the acquisition or construction of major capital projects. The Village had the following capital projects fund:

OPWC Fund – This fund records State payments to contractors on the Village’s behalf.

4. 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 cost of providing this utility.

5. Fiduciary Fund (Agency Fund)

This fund is fund in which the Village is acting in an agency capacity. The Village had the following fiduciary fund:

Mayor’s Court – This agency fund accounts for activity in the Mayor’s court bank account.

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 DEPOSITS

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

	2002	2001
Demand deposits	\$144,530	\$131,459

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, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,550	\$124,924	\$20,374
Special Revenue	35,500	38,641	3,141
Capital Projects	0	80,693	80,693
Enterprise	147,000	171,983	24,983
Total	\$287,050	\$416,241	\$129,191

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,768	\$137,908	\$11,860
Special Revenue	43,789	36,796	6,993
Capital Projects	0	80,693	(80,693)
Enterprise	224,954	148,710	76,244
Total	<u>\$418,511</u>	<u>\$404,107</u>	<u>\$14,404</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$123,219	\$149,525	\$26,306
Special Revenue	32,968	37,244	4,276
Enterprise	152,500	147,354	(5,146)
Total	<u>\$308,687</u>	<u>\$334,123</u>	<u>\$25,436</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,249	\$117,109	\$14,140
Special Revenue	36,888	30,369	6,519
Enterprise	200,450	133,237	67,213
Total	<u>\$368,587</u>	<u>\$280,715</u>	<u>\$87,872</u>

Contrary to Ohio law, actual expenditures plus encumbrances exceeded appropriations in the OPWC Fund by \$80,693 at December 31, 2002.

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
1988 Municipal Building Bond	\$ 2,000	4.29%
Snow Removal Equipment Note	4,700	5.95%
Police Cruiser Acquisition Note	4,800	5.95%
Total	\$11,500	

The Municipal Building Bond was used by the Village to purchase the Village Hall. For the period March 1, 1993 through February 28, 1998 and March 1, 1998 through December 1, 2003, the bond shall bear interest rate equal to eighty percent of the five-year Treasury Bill rate of interest in effect on the fifth business day immediate preceding March 1, 1993 and March 1, 1998. From January 1, 2001 through December 31, 2002, the Village paid 4.29 percent interest.

The Snow Removal Equipment Note was issued to purchase needed snow removal equipment in the amount of \$4,700 on March 1, 2002, at 5.95 percent interest, and shall mature in one year.

The Police Cruiser Acquisition Note was issued to purchase needed police cruiser in the amount of \$4,800 on March 1, 2002, at 5.95 percent interest, and shall mature in one year.

The Municipal Building Bond, Snow Removal Equipment Note, and Police Cruiser Acquisition Note are collateralized by the Village's taxing authority.

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

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

	Municipal Building Bond	Snow Removal Equipment Note	Police Cruiser Acquisition Note
Year ending December 31: 2003	\$2,084	\$4,980	\$5,086

6. RETIREMENT SYSTEMS

The Village's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries in 2001 and 2002. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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 coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

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, 2002 and 2001, and have issued our report thereon dated July 23, 2003. 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.

Compliance

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 provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 23, 2003.

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 opinion on the financial statements and not to provide assurance 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 a reportable condition. 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 record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2002-001 and 2002-003.

A material weakness is a 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 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 over financial reporting that might be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 23, 2003.

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



Betty Montgomery
Auditor of State

July 23, 2003

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Material Noncompliance/Reportable Condition

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 an ensuing 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 53% of the 2001 and 20% for the 2002 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 Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2002-002

Material Noncompliance

Ohio Rev. Code, Section 5705.41 (B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures plus encumbrances exceeded appropriations at fiscal year-end 2002 in the following fund:

Fund	Expenditures	Appropriations	Variance
OPWC Fund	\$80,693	\$0	\$80,693

The Village violated ORC 5705.41 (B) because they did not account in the Village records for Ohio Public Works Commission (OPWC) payments made to vendors on behalf of the Village. We recommend the Village follow the accounting and reporting guidance set forth in Auditor of State Bulletin 2002-004.

FINDING NUMBER 2002-003

Reportable Condition

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 collection 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.
- The Village establishes and sets the utility rates for the Village. Per Ordinance 328, each pipe width has its own schedule and minimum charge. Contrary to the Ordinance, the Village charged incorrect rates to three customers.
- Columns in the 2001 and 2002 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 transposition errors occurred between subsidiary records and the Depository Reconciliation Book resulting in an over deposit of \$240 for the audit period.

FINDING NUMBER 2002-003
(Continued)

- Tap-ins did not have documentation as to 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.

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, initialed 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, including signed and dated by the applicant. This will help to hinder any misappropriation of funds.

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**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40408-001	Revised Code 5705.41(D). Failure to certify funds.	No	Not Corrected. Reported as a Material Noncompliance/Reportable Condition for Fiscal Year 2001 and 2002 – Finding Number 2002-001
2000-30408-002	Revised Code 5705.10. Failure to utilize funds as established.	Yes	Finding No Longer Valid. Corrected through an audit adjustment proposed in the prior audit.
2000-30408-003	Revised Code 5705.41(B). Failure to maintain disbursements below appropriations.	No	Not Corrected. Reported as a Material Noncompliance for Fiscal Year 2001 and 2002 – Finding Number 2002-002



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF 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
AUGUST 26, 2003**