



**Auditor of State  
Betty Montgomery**



**VILLAGE OF FAYETTE  
FULTON COUNTY**

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**Auditor of State  
Betty Montgomery**

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Fayette  
Fulton County  
P.O. Box 87  
Fayette, Ohio 43521-0087

To the Village Council:

We have audited the accompanying financial statements of the Village of Fayette, Fulton County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits 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 audits 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.

As discussed in Note 9 to the financial statements, the Village changed the fund type classification of the Debt Retirement Fund in 2002.

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, 2003 and 2002, 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 April 5, 2004 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 audits.

This report is intended solely for the information and use of the finance committee, management, and Village Council, and other officials authorized to receive this report under § 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

April 5, 2004

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts</b>					
Property Tax and Other Local Taxes	\$ 394,067	\$ 39,698	\$ 12,276	\$ -	\$ 446,041
Intergovernmental Receipts	75,616	67,794	-	-	143,410
Charges for Services	514	24,022	-	-	24,536
Fines, Licenses, and Permits	5,632	53,414	-	-	59,046
Earnings on Investments	5,961	529	-	-	6,490
Miscellaneous	9,637	11,230	4,270	-	25,137
<b>Total Cash Receipts</b>	<u>491,427</u>	<u>196,687</u>	<u>16,546</u>	<u>-</u>	<u>704,660</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	220,844	-	-	-	220,844
Leisure Time Activities	-	58,595	-	-	58,595
Community Environment	8,395	423	-	-	8,818
Basic Utility Services	-	-	4,306	-	4,306
Transportation	78,589	23,012	-	-	101,601
General Government	313,539	-	-	-	313,539
Capital Outlay	7,636	85,463	80,284	-	173,383
<b>Total Cash Disbursements</b>	<u>629,003</u>	<u>167,493</u>	<u>84,590</u>	<u>-</u>	<u>881,086</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(137,576)</u>	<u>29,194</u>	<u>(68,044)</u>	<u>-</u>	<u>(176,426)</u>
<b>Other Financing Receipts and (Disbursements)</b>					
Sale of Bonds or Notes	-	-	8,257	-	8,257
Sale of Fixed Assets	-	1,055	-	-	1,055
Transfers-In	-	-	15,000	-	15,000
Other Sources	-	-	-	54	54
Other Uses	(109)	(10)	-	-	(119)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(109)</u>	<u>1,045</u>	<u>23,257</u>	<u>54</u>	<u>24,247</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(137,685)</u>	<u>30,239</u>	<u>(44,787)</u>	<u>54</u>	<u>(152,179)</u>
<b>Fund Cash Balances, January 1</b>	<u>651,563</u>	<u>54,785</u>	<u>79,902</u>	<u>924</u>	<u>787,174</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 513,878</b></u>	<u><b>\$ 85,024</b></u>	<u><b>\$ 35,115</b></u>	<u><b>\$ 978</b></u>	<u><b>\$ 634,995</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$ 6,816</b></u>	<u><b>\$ 11,183</b></u>	<u><b>\$ 30,865</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 48,864</b></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003

<b>Operating Cash Receipts</b>	
Charges for Services	\$ 285,013
Miscellaneous	10,748
	295,761
<b>Operating Cash Disbursements</b>	
Personal Services	83,509
Contractual Services	73,035
Supplies and Materials	32,905
Capital Outlay	8,141
	197,590
Total Operating Cash Receipts	295,761
<b>Operating Cash Disbursements</b>	
Personal Services	83,509
Contractual Services	73,035
Supplies and Materials	32,905
Capital Outlay	8,141
	197,590
Total Operating Cash Disbursements	197,590
Operating Income	98,171
<b>Non-Operating Cash Receipts</b>	
Interest Income	1,189
Other Non-Operating Receipts	60
	1,249
Total Non-Operating Cash Receipts	1,249
<b>Non-Operating Cash Disbursements</b>	
Debt Service	93,965
Other Non-Operating Cash Disbursements	3,865
	97,830
Total Non-Operating Cash Disbursements	97,830
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	1,590
Transfers-Out	(15,000)
	(13,410)
Net Cash Receipts (Under) Cash Disbursements	(13,410)
Fund Cash Balances, January 1	522,811
<b>Fund Cash Balances, December 31</b>	<b>\$ 509,401</b>
Reserve for Encumbrances, December 31	\$ 1,081

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**VILLAGE OF FAYETTE  
FULTON COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts</b>					
Property Tax and Other Local Taxes	\$ 345,325	\$ 37,336	\$ 10,922	\$ -	\$ 393,583
Intergovernmental Receipts	74,822	95,739	172,040		342,601
Charges for Services	186	11,047			11,233
Fines, Licenses, and Permits	6,687	175			6,862
Earnings on Investments	13,337	824			14,161
Miscellaneous	8,097	11,535			19,632
<b>Total Cash Receipts</b>	<u>448,454</u>	<u>156,656</u>	<u>182,962</u>	<u>-</u>	<u>788,072</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	225,138				225,138
Leisure Time Activities		75,279			75,279
Community Environment	7,464				7,464
Transportation	118,640	31,779			150,419
General Government	192,356				192,356
Capital Outlay	4,160	61,775	347,610		413,545
<b>Total Cash Disbursements</b>	<u>547,758</u>	<u>168,833</u>	<u>347,610</u>	<u>-</u>	<u>1,064,201</u>
<b>Total Cash Receipts (Under) Cash Disbursements</b>	<u>(99,304)</u>	<u>(12,177)</u>	<u>(164,648)</u>	<u>-</u>	<u>(276,129)</u>
<b>Other Financing Receipts and (Disbursements)</b>					
Sale of Bonds or Notes			175,570		175,570
Sale of Fixed Assets	230				230
Transfers-In		32,000			32,000
Other Sources	975				975
Transfers-Out	(32,000)				(32,000)
Other Uses	(1,121)				(1,121)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(31,916)</u>	<u>32,000</u>	<u>175,570</u>	<u>-</u>	<u>175,654</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(131,220)</u>	<u>19,823</u>	<u>10,922</u>	<u>-</u>	<u>(100,475)</u>
<b>Fund Cash Balances, January 1</b>	<u>782,783</u>	<u>34,962</u>	<u>68,980</u>	<u>924</u>	<u>887,649</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 651,563</b></u>	<u><b>\$ 54,785</b></u>	<u><b>\$ 79,902</b></u>	<u><b>\$ 924</b></u>	<u><b>\$ 787,174</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$ 974</b></u>	<u><b>\$ 91</b></u>	<u><b>\$ 24,500</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 25,565</b></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002

<b>Operating Cash Receipts</b>	
Charges for Services	\$ 279,825
Miscellaneous	11,800
	<u>291,625</u>
<b>Operating Cash Disbursements</b>	
Personal Services	12,236
Contractual Services	96,786
Supplies and Materials	23,817
Capital Outlay	14,596
	<u>147,435</u>
Total Operating Cash Receipts	<u>291,625</u>
<b>Operating Cash Disbursements</b>	
Personal Services	12,236
Contractual Services	96,786
Supplies and Materials	23,817
Capital Outlay	14,596
	<u>147,435</u>
Total Operating Cash Disbursements	<u>147,435</u>
Operating Income	<u>144,190</u>
<b>Non-Operating Cash Receipts</b>	
Other Non-Operating Receipts	7,705
	<u>7,705</u>
Total Non-Operating Cash Receipts	<u>7,705</u>
<b>Non-Operating Cash Disbursements</b>	
Debt Service	90,850
Other Non-Operating Cash Disbursements	3,118
	<u>93,968</u>
Total Non-Operating Cash Disbursements	<u>93,968</u>
Net Cash Receipts Over Cash Disbursements	57,927
Fund Cash Balances, January 1	<u>464,884</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ 522,811</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$ 182</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Fayette, Fulton County, (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 general governmental services, including water and sewer utilities, park operations, 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. Fund Accounting**

The Village uses fund accounting to segregate cash that is 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 Fund**

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:

**VILLAGE OF FAYETTE  
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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

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

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Sewer Project Phase III Fund - This fund receives state grant monies from the Ohio Public Works Commission. These monies were used to pay for construction on the Sewer Separation Project.

Sewer Project Phase IV Fund - This fund receives state grant monies from the Ohio Public Works Commission. These monies were used to pay for construction on the Sewer Separation Project.

**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 Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Wastewater Debt Service Fund - This fund receives sewer enhancement fees to pay the debt on various sewer projects.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**5. Fiduciary Funds (Trust Funds)**

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

**D. Budgetary Process**

The Ohio Revised Code requires that each fund 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. The Village did not encumber all commitments required by Ohio law for the year ended December 31, 2002.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**E. 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.

**F. 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**

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

	2003	2002
Demand deposits	\$ 1,144,396	\$ 1,309,985

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 407,575	\$ 491,427	\$ 83,852
Special Revenue	176,023	197,742	21,719
Capital Projects	1,059,845	39,803	(1,020,042)
Enterprise	376,350	297,010	(79,340)
Fiduciary	-	54	54
Total	\$ 2,019,793	\$ 1,026,036	\$ (993,757)

**VILLAGE OF FAYETTE  
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 782,054	\$ 635,928	\$ 146,126
Special Revenue	196,256	178,686	17,570
Capital Projects	203,510	115,455	88,055
Enterprise	548,942	311,501	237,441
Fiduciary	-	-	-
Total	<u>\$ 1,730,762</u>	<u>\$ 1,241,570</u>	<u>\$ 489,192</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 525,950	\$ 449,659	\$ (76,291)
Special Revenue	140,472	188,656	48,184
Capital Projects	-	358,532	358,532
Enterprise	336,204	299,330	(36,874)
Fiduciary	50	-	(50)
Total	<u>\$ 1,002,676</u>	<u>\$ 1,296,177</u>	<u>\$ 293,501</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 732,237	\$ 581,853	\$ 150,384
Special Revenue	186,634	168,924	17,710
Capital Projects	432,307	372,110	60,197
Enterprise	333,666	241,585	92,081
Fiduciary	-	-	-
Total	<u>\$ 1,684,844</u>	<u>\$ 1,364,472</u>	<u>\$ 320,372</u>

**VILLAGE OF FAYETTE  
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority and appropriations exceeded total certified estimated resources in various funds for the year ended December 31, 2002. At December 31, 2002 the Village permissive tax fund had a negative balance.

**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. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:



**VILLAGE OF FAYETTE  
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 67,867	5.14%
Ohio Public Works Commission Loan	157,955	
Equipment Lease	19,464	6.25%
Mortgage Revenue Bonds	953,000	5.00%
Total	\$ 1,198,286	

The Ohio Water Development Authority (OWDA) loan relates to the combined sewer separation project that the Village is currently conducting. The OWDA has approved up to \$117,582 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$3,865, including interest, over 30 years. The scheduled payment amount below assumes that \$117,582 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans relate to the combined sewer separation project that the Village is currently conducting. The OPWC has approved \$113,990 and up to \$86,260 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$2,850 and \$2,156 over 20 years. The scheduled payments will be adjusted to reflect any revisions in amounts actually borrowed. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The equipment lease is for the purchase of a Case backhoe. The lease is for a five-year period at a rate of 6.25 percent. The first payment of \$9,732 was made in May 2000 at the time of delivery. Thereafter, five annual payments of \$9,732 will be made through 2005. At the time the last payment is made, the Village will have complete ownership of the backhoe.

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

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>Municipal Equipment Lease</u>	<u>Mortgage Revenue Bonds</u>
2004	\$ 3,865	\$ 7,163	\$ 9,732	\$ 84,650
2005	7,730	10,012	9,732	84,800
2006	7,730	10,012	-	84,850
2007	7,730	10,012	-	84,800
2008	7,730	10,012	-	84,650
2009-2013	38,650	50,063	-	421,350
2014-2018	38,650	50,063	-	422,700
2019-2023	38,650	40,051	-	168,850
2024-2028	38,650	-	-	-
2029-2033	38,654	-	-	-
Total	<u>\$ 228,039</u>	<u>\$ 187,388</u>	<u>\$ 19,464</u>	<u>\$ 1,436,650</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide 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 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Inland marine

**VILLAGE OF FAYETTE  
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

- Vehicles
- Commercial crime

**9. CHANGES IN FINANCIAL STATEMENT PRESENTATION**

For the year ended December 31, 2002, the Village changed its method of classifying the Debt Retirement Fund. The Debt Retirement Fund was classified as a Debt Service Fund in the prior year and is currently being presented in the Enterprise Fund Type. The Debt Retirement Fund is used solely to retire debt associated with enterprise operations. The Village believes this change better reflects the activity in accordance with the basis of accounting described in Note 1

The effects on the reclassification of the Debt Retirement Fund on excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements as previously reported for the year ended December 31, 2001, are as follows:

	Debt Service Fund	Enterprise Fund
Excess as previously stated	\$ 54,998	\$ 42,101
Restatement for fund reclassification and adjustment	(54,998)	54,998
Restated amounts for the year ended December 31, 2001	\$ -	\$ 97,099

The effect the reclassification of the Wastewater Debt Retirement Fund on fund balances as was reported as of December 31, 2001 are as follows:

	Debt Service Fund	Enterprise Fund
Balance as previously reported	\$ 129,060	\$ 335,824
Restatement for fund reclassification and adjustment	(129,060)	129,060
Restated balance as of December 31, 2001	\$ -	\$ 464,884

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**Auditor of State  
Betty Montgomery**

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

Village of Fayette  
Fulton County  
P.O. Box 87  
Fayette, Ohio 43521-0087

To the Village Council:

We have audited the accompanying financial statements of the Village of Fayette, Fulton County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 5, 2004, wherein we noted that the Village had changed the fund type classification of the Debt Retirement Fund. 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 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 5, 2004.

**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. 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. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 April 5, 2004.

This report is intended solely for the information and use of the finance committee, management, and Village Council, 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

April 5, 2004

**VILLAGE OF FAYETTE  
FULTON COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- a. Then and Now Certificate: Concerning contracts where the amount in question is \$1,000 (\$3,000 effective April 7, 2003) or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract or order was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- b. Concerning amounts less than \$1,000 (\$3,000 effective April 7, 2003), the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

This code section provides that subject to certain dollar limitations, the fiscal officers may prepare so-called "regular blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line-item account over a three month period (effective September 26, 2003 the three month limit is removed but the covered period may not run beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line-item appropriation.

**FINDING NUMBER 2003-001  
 (Continued)**

In addition to regular blanket certificates, a subdivision’s fiscal officer may also issue so-called “super blanket” certificates for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Clerk/Treasurer did not make the proper certification of funds for forty-four percent of the expenditures tested during the audit period. We recommend the Clerk/Treasurer certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Village personnel. The certification can also be made through the use of a “regular blanket,” “then and now,” or “super blanket” certificates.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Sixty-seven percent of expenditures tested during the audit period were not within appropriations at the time they were made. Also, total expenditures exceeded total appropriations at December 31, 2002 in the following funds and amounts:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
State Highway	\$ 2,600	\$ 2,681	\$ 81
Parks	48,870	75,279	26,409
Drug Enforcement	430	2,100	1,670
DUI Enforcement	106	1,700	1,594
Issue II Phase 3	-	64,889	64,889
Issue II Phase 4	-	282,721	282,721
Sewer	48,000	52,740	4,740
First Mortgage	84,050	88,001	3,951

This could result in inappropriate expenditures or overspending by Village personnel. We recommend that management monitor the appropriation ledger closely to ensure that expenditures do not exceed appropriations. The Clerk/Treasurer should request Council to approve the necessary appropriation modifications when it appears expenditures will exceed appropriations.



**FINDING NUMBER 2003-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.10 states money that is paid into a fund must be used only for the purposes for which such fund has been established. The Village Permissive Tax fund had a \$15,009 negative balance at December 31, 2002. We recommend that the Council transfer or advance money from the general fund, increase revenue or restrict expenditures until a positive fund balance exists.

**FINDING NUMBER 2003-004**

**Noncompliance Citation**

**Ohio Revised Code § 5705.39** states the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. In 2002 total appropriations exceeded total certified estimated resources in the following funds and amounts:

Fund	Estimated Resources	Appropriations	Variance
2002			
Parks	\$ 33,387	\$ 48,870	\$ 15,483
CDBG Grant	23,926	24,926	1,000
Permissive MVL Tax	-	48,483	48,483
Capital Improvements	68,980	432,307	363,327





**Auditor of State  
Betty Montgomery**

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**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  
APRIL 27, 2004**