

Village of Fayetteville
Brown County, Ohio

Regular Audit

For the Years Ended December 31, 2010 and 2009
Fiscal Years Audited Under GAGAS: 2010 and 2009



Balestra, Harr & Scherer, CPAs, Inc.

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Fayetteville, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Dave Yost
Auditor of State

June 21, 2011

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Village of Fayetteville
Brown County, Ohio
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Independent Auditor's Report

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

We have audited the accompanying financial statements of Village of Fayetteville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

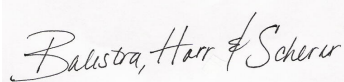
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Fayetteville, Brown County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Village of Fayetteville
Brown County
Independent Auditors' Report
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The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

May 5, 2011

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$ 47,579	\$ 24,307	\$ 71,886
Intergovernmental	12,664	23,427	36,091
Charges for Services	12,100	-	12,100
Fines, Licenses, and Permits	65,538	5,130	70,668
Interest	1,269	41	1,310
Miscellaneous	3,588	-	3,588
Total Cash Receipts	142,738	52,905	195,643
Cash Disbursements:			
Current:			
Security of Persons & Property	57,749	35,212	92,961
Public Health Service	1,112	-	1,112
Leisure Time Activities	3,484	-	3,484
Community Environment	244	-	244
Transportation	-	28,365	28,365
General Government	60,728	500	61,228
Debt Service:			
Redemption of Principal	15,657	-	15,657
Interest and Fiscal Charges	1,091	-	1,091
Total Cash Disbursements	140,065	64,077	204,142
Total Cash Receipts Over/(Under) Cash Disbursements	2,673	(11,172)	(8,499)
Other Financing Receipts and (Disbursements):			
Sale of Notes	12,327	-	12,327
Other non-operating receipts	857	-	857
Other non-operating disbursements	(854)	-	(854)
Total Other Financing Receipts/(Disbursements)	12,330	-	12,330
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,003	(11,172)	3,831
Fund Cash Balances, January 1	23,989	31,440	55,429
Fund Cash Balances, December 31	\$ 38,992	\$ 20,268	\$ 59,260
Reserve for Encumbrances, December 31	\$ 22,653	\$ 13,510	\$ 36,163

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

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 205,708	\$ -	\$ 205,708
Total Operating Cash Receipts	<u>205,708</u>	<u>-</u>	<u>205,708</u>
Operating Cash Disbursements:			
Personal Services	18,486	-	18,486
Employee Fringe Benefits	5,102	-	5,102
Contractual Services	38,492	-	38,492
Supplies & Maintenance	122,421	-	122,421
Other	5,066	-	5,066
Total Operating Cash Disbursements	<u>189,567</u>	<u>-</u>	<u>189,567</u>
Operating Income	<u>16,141</u>	<u>-</u>	<u>16,141</u>
Non-Operating Cash Receipts (Disbursements):			
Other non-operating receipts	11,765	80,244	92,009
Redemption of Principal	(7,600)	-	(7,600)
Interest and Fiscal Charges	(3,820)	-	(3,820)
Other non-operating disbursements	-	(80,244)	(80,244)
Total Non-Operating Cash Receipts (Disbursements)	<u>345</u>	<u>-</u>	<u>345</u>
Net Receipts Over Disbursements	16,486	-	16,486
Fund Cash Balances, January 1	<u>95,529</u>	<u>-</u>	<u>95,529</u>
Fund Cash Balances, December 31	<u>\$ 112,015</u>	<u>\$ -</u>	<u>\$ 112,015</u>
Reserve for Encumbrances, December 31	<u>\$ 12,770</u>	<u>\$ -</u>	<u>\$ 12,770</u>

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

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 46,882	\$ 24,232	\$ 71,114
Intergovernmental	14,449	30,832	45,281
Charges for Services	11,355	-	11,355
Fines, Licenses, and Permits	51,212	3,350	54,562
Interest	1,199	42	1,241
Miscellaneous	4,775	-	4,775
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	129,872	58,456	188,328
Cash Disbursements:			
Current:			
Security of Persons & Property	44,391	33,562	77,953
Leisure Time Activities	1,447	-	1,447
Community Environment	235	-	235
Transportation	-	15,796	15,796
General Government	70,000	2,500	72,500
Debt Service:			
Redemption of Principal	19,407	-	19,407
Interest and Fiscal Charges	1,661	-	1,661
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	137,141	51,858	188,999
Total Cash Receipts Over/(Under) Cash Disbursements	(7,269)	6,598	(671)
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	15,657	-	15,657
Other non-operating disbursements	(200)	-	(200)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	15,457	-	15,457
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,188	6,598	14,786
Fund Cash Balances, January 1	15,801	24,842	40,643
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Fund Cash Balances, December 31	\$ 23,989	\$ 31,440	\$ 55,429
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Reserve for Encumbrances, December 31	\$ 9,690	\$ 5,449	\$ 15,139
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 187,377	\$ -	\$ 187,377
Total Operating Cash Receipts	<u>187,377</u>	<u>-</u>	<u>187,377</u>
Operating Cash Disbursements:			
Personal Services	18,069	-	18,069
Employee Fringe Benefits	5,168	-	5,168
Contractual Services	36,316	-	36,316
Supplies & Maintenance	116,340	-	116,340
Other	3,873	-	3,873
Total Operating Cash Disbursements	<u>179,766</u>	<u>-</u>	<u>179,766</u>
Operating Income	<u>7,611</u>	<u>-</u>	<u>7,611</u>
Non-Operating Cash Receipts (Disbursements):			
Other non-operating receipts	1,778	56,840	58,618
Redemption of Principal	(11,190)	-	-
Interest and Fiscal Charges	(5,953)	-	-
Other non-operating disbursements	-	(56,840)	(56,840)
Total Non-Operating Cash Receipts (Disbursements)	<u>(15,365)</u>	<u>-</u>	<u>(15,365)</u>
Net Receipts Under Disbursements	<u>(7,754)</u>	<u>-</u>	<u>(7,754)</u>
Fund Cash Balances, January 1	<u>103,283</u>	<u>-</u>	<u>103,283</u>
Fund Cash Balances, December 31	<u>\$ 95,529</u>	<u>\$ -</u>	<u>\$ 95,529</u>
Reserve for Encumbrances, December 31	<u>\$ 4,856</u>	<u>\$ -</u>	<u>\$ 4,856</u>

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

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 AND 2009**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Fayetteville, Brown County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water utilities, street maintenance and repair, and police services.

The Village participated in the Ohio Plan Risk Management, a public entity risk pool.

Public Entity Risk Pool:

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Risk Management Plan
- Ohio Plan Healthcare Consortium, Inc. (OPHC) – formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION – FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

GENERAL FUND

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

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 AND 2009**

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

SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Village had the following significant special revenue funds:

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

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

ENTERPRISE FUNDS

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

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

FIDUCIARY FUND

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

Mayor's Court: This fund collects and distributes court fines to the Village and the State.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. BUDGETARY PROCESS

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

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 AND 2009**

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

Tax Budget:

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

Estimated Resources:

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

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. The Village did adopt supplemental appropriations during 2010 and 2009.

Encumbrances:

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Village had \$48,933 and \$19,995 in outstanding encumbrances at December 31, 2010 and 2009, respectively.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

D. CASH AND CASH EQUIVALENTS

During 2010 and 2009, the Village funds were maintained in an interest bearing checking account and certificates of deposit.

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 AND 2009**

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

E. PROPERTY , PLANT AND EQUIPMENT

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

F. INTERGOVERNMENTAL REVENUES

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

G. ACCUMULATED LEAVE

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

H. TOTAL COLUMNS OF FINANCIAL STATEMENTS

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

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

Fund Type	2010 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$140,200	\$155,922	\$15,722
Special Revenue	52,500	52,905	405
Enterprise	184,600	217,473	32,873
Total	\$377,300	\$426,300	\$49,000

Fund Type	2010 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,006	\$163,572	(\$14,566)
Special Revenue	84,934	77,587	7,347
Enterprise	279,237	213,757	65,480
Total	\$513,177	\$454,916	\$58,261

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 AND 2009**

NOTE 3 – BUDGETARY ACTIVITY –(Continued)

Fund Type	2009 Budgeted vs. Actual Receipts		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$116,325	\$145,529	\$29,204
Special Revenue	57,000	58,456	1,456
Enterprise	170,000	189,155	19,155
Total	\$343,325	\$393,140	\$49,815

Fund Type	2009 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$143,241	\$147,031	(\$3,790)
Special Revenue	78,457	57,307	21,150
Enterprise	275,815	201,765	74,050
Total	\$497,513	\$406,103	\$91,410

NOTE 4 – PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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

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

NOTE 5 – DEBT OBLIGATIONS

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Snow Removal Equipment Note	\$12,327	7.00%
OWDA	256,210	1.50%
Total	\$268,537	

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 AND 2009**

NOTE 5 – DEBT OBLIGATIONS – (Continued)

The Snow Removal Equipment Note was issued to purchase a dump truck in the original amount of \$21,097 on August 5, 2005. The note is refinanced annually. The note had a balance of \$12,327 as of December 31, 2010.

The Police Cruiser Acquisition Note was originally issued in 2004 to purchase a needed police cruiser in the amount of \$8,050. The note is refinanced annually. The note was paid off during 2010.

The Village borrowed \$275,000 from OWDA to move a water tower that was contributed to them. Payments commenced in 2009 and continue for 30 years. The balance owed as of December 31, 2010 was \$256,210.

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

For the Year Ended December 31,	
2011	\$11,421
2012	11,421
2013	11,421
2014	11,421
2015	11,421
2016-2020	57,105
2021-2025	57,105
2026-2030	57,105
2031-2035	57,105
Thereafter	17,131
Total	<u>\$302,656</u>

NOTE 6 – RISK MANAGEMENT

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Member”). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Risk Management Plan
- Ohio Plan Healthcare Consortium, Inc. (OPHC) –formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 AND 2009**

NOTE 6 – RISK MANAGEMENT – (Continued)

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. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), 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 retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village does not participate in this coverage.

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	<u>2009 OPRM</u>	<u>2009 OPHC</u>	<u>2009</u>	<u>2008</u>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members’ Equity	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

Health insurance and dental coverage is also available to employees through a private carrier.

Settled claims have not exceeded coverage in any of the past three years. No significant change in coverage has occurred from prior years.

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 AND 2009**

NOTE 7 - RETIREMENT SYSTEM

Some Village Council members have elected to belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, OPERS participants contributed 10% of their wages. The Village contributed amounts equal to 14.0% of participants' gross salaries for 2010 and 2009. The Village has paid all contributions required through December 31, 2010.

NOTE 8 - EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2010</u>	<u>2009</u>
Total Deposits	\$171,275	\$150,958

All deposits were insured by the Federal Depository Insurance Corporation as of December 31, 2010 and 2009.

NOTE 9 – COMPLIANCE

Contrary to Ohio Rev. Code Section 9.38, the Village was not making timely deposits. Contrary to Ohio Rev. Code Section 5705.36(A)(4), the Village had appropriations in excess of actual receipts. Contrary to Ohio Rev. Code Section 5705.41 (B), the Village had expenses in excess of appropriations. Contrary to Ohio Rev. Code 5705.39 the Village had appropriations in excess of estimated resources (unencumbered fund balance plus estimated receipts).



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited the financial statements of Village of Fayetteville, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009 and have issued our report thereon dated May 5, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

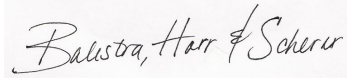
Compliance and Other Matters

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-004.

Village of Fayetteville
Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

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

We intend this report solely for the information and use of management, the Village Council and others within the Village. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
May 5, 2011

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

FINDING NUMBER 2010-001

Noncompliance Citation

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

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

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

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

Client Response:

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

FINDING NUMBER 2010-002

Noncompliance Citation

Ohio Revised Code section 5705.36 (A)(3) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and the commission shall certify an amended official certificate reflecting the excess. Ohio Rev. code section 5705.36(A)(4) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected will be less than the amount included in an official certificate and the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended official certificate reflecting the deficiency. Ohio Rev. Code section 5705.36(A)(5) states that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The Village's actual resources fell short of estimated resources such that the deficiency caused appropriations to be in excess of actual resources in the Police Fund in 2010 and in the Street Construction, Maintenance and Repair fund in 2009 and no amendment was obtained as required.

The Village should obtain a reduced amended certificate of estimated resources when it becomes apparent it is going to receive less than what was estimated, and the amount of the deficiency will cause appropriations to be in excess of actual receipts.

Client Response:

We received no response from officials regarding the above finding.

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

FINDING NUMBER 2010-003

Noncompliance Citation

Ohio Rev. Code section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

The Village had expenditures in excess of appropriations in the General Fund of \$2,041 at December 31, 2010 and in the General and Police funds of \$3,790 and \$4,330 at December 31, 2009.

The Village should monitor expenditures throughout the year to ensure appropriations are not exceeded.

Client Response:

We received no response from officials regarding the above finding.

FINDING NUMBER 2010-004

Noncompliance Citation

Ohio Rev. Code section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources (estimated revenues plus unencumbered fund balance).

The Village had appropriations in excess of estimated resources in the Street Construction and Maintenance, Police, Water Operating, and Trash funds at December 31, 2010 and in the General, Street Construction and Maintenance, and Water Operating funds at December 31, 2009.

The Village should monitor appropriations as compared to the estimated resources throughout the year to ensure that estimated resources are above appropriations.

Client Response:

We received no response from officials regarding the above finding.

**VILLAGE OF FAYETTEVILLE
BROWN COUNTY, OHIO
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007/2008-001	Noncompliance Citation : Ohio Revised Code Section 9.38 Deposit of public money	No	Not corrected, will reissue as 2010-001
2007/2008-002	Material Weakness: Monitoring of Financial Activity	Yes	

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Dave Yost • Auditor of State

VILLAGE OF FAYETTEVILLE

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 5, 2011