

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**Single Audit  
For the Year Ended December 31, 2013**

**Regular Audit  
For the Year Ended December 31, 2012**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Village Council  
Village of Fayette  
PO Box 87  
Fayette, OH 43524

We have reviewed the *Independent Auditor's Report* of the Village of Fayette, Fulton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 11, 2014

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VILLAGE OF FAYETTE  
FULTON COUNTY

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# *Perry & Associates*

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## **INDEPENDENT AUDITOR'S REPORT**

November 11, 2014

Village of Fayette  
Fulton County  
PO Box 87  
Fayette, OH 43524

To the Mayor and Members of Village Council:

### **Report on the Financial Statements**

We have audited the accompanying financial statements and related notes of the **Village of Fayette**, Fulton County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

We were unable to obtain sufficient audit evidence to support the completeness and valuation of concession revenues, music festival admissions, fees for participation in youth league sports and fund raiser collections which were recorded as Charges for Services in the Special Revenue Fund type. These revenues comprised 13.7% and 12.1% of the Special Revenue Fund revenues for the years ended December 31, 2013 and 2012 respectively.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the matter discussed in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Fayette, Fulton County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Matters***

***Supplemental and Other Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry & Associates**  
Certified Public Accountants, A.C.  
*Marietta, Ohio*

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 45,783	\$ 27,451	\$ -	\$ 73,234
Municipal Income Tax	310,756	-	18,512	329,268
Intergovernmental	72,305	57,572	4,897,774	5,027,651
Special Assessments	-	-	9,415	9,415
Charges for Services	60	14,671	-	14,731
Fines, Licenses and Permits	4,188	365	-	4,553
Earnings on Investments	24,197	5,203	-	29,400
Miscellaneous	15,346	4,603	-	19,949
<b>Total Cash Receipts</b>	<b>472,635</b>	<b>109,865</b>	<b>4,925,701</b>	<b>5,508,201</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	207,834	-	-	207,834
Leisure Time Activities	-	31,055	-	31,055
Community Environment	1,173	-	-	1,173
Transportation	16,993	44,574	-	61,567
General Government	106,170	287	-	106,457
Capital Outlay	3,151	62,374	5,473,937	5,539,462
Debt Service:				
Principal Retirement	-	-	265,217	265,217
Interest and Fiscal Charges	-	-	41	41
<b>Total Cash Disbursements</b>	<b>335,321</b>	<b>138,290</b>	<b>5,739,195</b>	<b>6,212,806</b>
Excess of Receipts Over/(Under) Disbursements	137,314	(28,425)	(813,494)	(704,605)
<b>Other Non-Operating Receipts(Disbursements):</b>				
Note Proceeds	-	-	811,571	811,571
Sale of Capital Assets	-	1,500	-	1,500
Transfers In	7,508	-	9,500	17,008
Transfers Out	(9,500)	(7,508)	-	(17,008)
Other Financing Sources	-	11	-	11
Other Financing Uses	(15)	(55)	-	(70)
<b>Total Non-Operating Receipts (Disbursements)</b>	<b>(2,007)</b>	<b>(6,052)</b>	<b>821,071</b>	<b>813,012</b>
Net Change in Fund Cash Balances	135,307	(34,477)	7,577	108,407
<b>Fund Cash Balances, January 1</b>	<b>659,024</b>	<b>201,452</b>	<b>100,109</b>	<b>960,585</b>
Fund Cash Balances, December 31				
Restricted	-	166,975	5,431	172,406
Committed	-	-	102,255	102,255
Assigned	6,471	-	-	6,471
Unassigned	787,860	-	-	787,860
<b>Fund Cash Balances, December 31</b>	<b>\$ 794,331</b>	<b>\$ 166,975</b>	<b>\$ 107,686</b>	<b>\$ 1,068,992</b>

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  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 359,309
Fines, Licenses and Permits	377
Miscellaneous	7,394
	367,080
<b>Operating Cash Disbursements:</b>	
Personal Services	161,602
Contractual Services	118,696
Supplies and Materials	67,688
	347,986
Total Operating Cash Receipts	367,080
Total Operating Cash Disbursements	347,986
Operating Income	19,094
<b>Non-Operating Receipts/(Disbursements):</b>	
Intergovernmental	4,259
Miscellaneous Receipts	375
Principal Retirement	(83,036)
Interest and Other Fiscal Charges	(32,072)
Other Financing Sources	18,375
Other Financing Uses	(4,517)
	(96,616)
Total Non-Operating Receipts/(Disbursements)	(96,616)
Income (Loss) before Transfers	(77,522)
Transfers In	84,300
Transfers Out	(84,300)
	(77,522)
Net Change in Fund Cash Balances	(77,522)
Fund Cash Balances, January 1	651,603
Fund Cash Balances, December 31	\$ 574,081

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 FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 52,692	\$ 29,711	\$ -	\$ 82,403
Municipal Income Tax	293,809	-	17,167	310,976
Intergovernmental	48,641	52,634	90,086	191,361
Special Assessments	-	-	500	500
Charges for Services	271	12,442	-	12,713
Fines, Licenses and Permits	6,371	50	-	6,421
Earnings on Investments	3,605	441	-	4,046
Miscellaneous	10,450	7,612	-	18,062
<b>Total Cash Receipts</b>	<b>415,839</b>	<b>102,890</b>	<b>107,753</b>	<b>626,482</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	205,064	210	-	205,274
Leisure Time Activities	-	34,651	-	34,651
Community Environment	6,385	-	-	6,385
Transportation	24,333	45,750	-	70,083
General Government	110,445	536	-	110,981
Capital Outlay	3,544	50,602	411,402	465,548
Debt Service:				
Principal Retirement	-	-	5,086	5,086
Interest and Fiscal Charges	-	-	600	600
<b>Total Cash Disbursements</b>	<b>349,771</b>	<b>131,749</b>	<b>417,088</b>	<b>898,608</b>
Excess of Receipts Over/(Under) Disbursements	66,068	(28,859)	(309,335)	(272,126)
<b>Other Non-Operating Receipts:</b>				
Note Proceeds	-	-	253,512	253,512
Sale of Capital Assets	275	-	-	275
<b>Total Other Non-Operating Receipts</b>	<b>275</b>	<b>-</b>	<b>253,512</b>	<b>253,787</b>
Net Change in Fund Cash Balances	66,343	(28,859)	(55,823)	(18,339)
<b>Fund Cash Balances, January 1</b>	<b>592,681</b>	<b>230,311</b>	<b>155,932</b>	<b>978,924</b>
Fund Cash Balances, December 31				
Restricted	-	201,452	12,000	213,452
Committed	-	-	88,109	88,109
Assigned	565	-	-	565
Unassigned	658,459	-	-	658,459
<b>Fund Cash Balances, December 31</b>	<b>\$ 659,024</b>	<b>\$ 201,452</b>	<b>\$ 100,109</b>	<b>\$ 960,585</b>

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  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 364,339
Fines, Licenses and Permits	590
Miscellaneous	8,499
	373,428
Total Operating Cash Receipts	373,428
<b>Operating Cash Disbursements:</b>	
Personal Services	120,523
Contractual Services	55,785
Supplies and Materials	67,648
	243,956
Total Operating Cash Disbursements	243,956
Operating Income	129,472
<b>Non-Operating Receipts/(Disbursements):</b>	
Miscellaneous Receipts	249
Principal Retirement	(106,020)
Interest and Other Fiscal Charges	(34,968)
Other Financing Sources	7,672
Other Financing Uses	(3,718)
	(136,785)
Total Non-Operating Receipts/(Disbursements)	(136,785)
Income (Loss) before Transfers	(7,313)
Transfers In	84,000
Transfers Out	(84,000)
	(7,313)
Net Change in Fund Cash Balances	(7,313)
Fund Cash Balances, January 1	658,916
Fund Cash Balances, December 31	\$ 651,603

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, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

Cash accounts are valued at cost. The Village has certificates of deposit. The Village to date values its repurchase agreements at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

Local Motor Vehicle License Fund – This fund receives County levied permissive motor vehicle money for constructing, maintaining and repairing Village streets.

**3. Capital Project Funds**

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

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

Long Term Control Plan Phase I Fund – This fund receives loan proceeds and grant monies for upgrades to the sewer system's lagoon and main pumping station.

Utility Improvement Fund – This fund receives municipal income tax to be used for the future improvement, construction or maintenance of the water or sewer utilities.

Gamble Road Project Fund – This fund receives grant funding from the Ohio Public Works Commission for the widening of Gamble Road.

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

**4. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies (Continued)**

**E. 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 fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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



**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave

**2. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand Deposits	\$ 567,712	\$ 662,188
Certificates of Deposit	375,361	350,000
Total Deposits	943,073	1,012,188
Repurchase Agreements	700,000	600,000
Total Investments	700,000	600,000
Total Deposits and Investments	\$ 1,643,073	\$ 1,612,188

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013 AND 2012**

**2. Equity in Pooled Deposits and Investments (Continued)**

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

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

**3. Budgetary Activity**

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 393,006	\$ 480,143	\$ 87,137
Special Revenue	94,590	111,376	16,786
Capital Projects	6,413,307	5,746,772	(666,535)
Enterprise	460,740	474,389	13,649
Total	<u>\$ 7,361,643</u>	<u>\$ 6,812,680</u>	<u>\$ (548,963)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 419,864	\$ 351,307	\$ 68,557
Special Revenue	167,417	148,276	19,141
Capital Projects	6,457,622	5,739,338	718,284
Enterprise	493,147	556,599	(63,452)
Total	<u>\$ 7,538,050</u>	<u>\$ 6,795,520</u>	<u>\$ 742,530</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 367,476	\$ 416,114	\$ 48,638
Special Revenue	102,540	102,890	350
Capital Projects	505,191	361,265	(143,926)
Enterprise	488,840	465,349	(23,491)
Total	<u>\$ 1,464,047</u>	<u>\$ 1,345,618</u>	<u>\$ (118,429)</u>

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013 AND 2012**

**3. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 404,691	\$ 350,336	\$ 54,355
Special Revenue	144,173	132,799	11,374
Capital Projects	415,484	420,825	(5,341)
Enterprise	539,570	473,162	66,408
Total	\$ 1,503,918	\$ 1,377,122	\$ 126,796

Contrary to Ohio law the Village did not have purchase orders dated before the invoice date. Also the Village had expenditures which exceeded appropriations in the Street Construction, Repair and Maintenance Special Revenue Fund, Gamble Road Capital Project Fund, Water Enhancement and Sewer Enhancement Enterprise Funds for 2013 and the State Highway Special Revenue Fund, Utility Improvement and Phase I LTCP Capital Project Funds and the Water Enhancement Enterprise Fund for 2012.

**4. Property Tax**

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

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

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013 AND 2012**

**5. Debt**

Debt outstanding at December 31, 2013 was as follows:

<u>Debt Issuance Description</u>	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$ 489,000	5.00%
Ohio Water Development Authority (OWDA) Loan #3731	55,216	5.14%
Ohio Water Development Authority (OWDA) Loan #4172	32,351	0.00%
Ohio Water Development Authority (OWDA) Loan #4573	32,756	2.00%
Ohio Water Development Authority (OWDA) Loan #4706	56,388	2.00%
Ohio Water Development Authority (OWDA) Loan #5137	67,448	0.00%
Ohio Water Development Authority (OWDA) Loan #6347	811,571	0.00%
Ohio Public Works Commission (OPWC) Loan #CE32D	48,445	0.00%
Ohio Public Works Commission (OPWC) Loan #CE38E	26,257	0.00%
Ohio Public Works Commission (OPWC) Loan #CE15L	15,454	0.00%
Ohio Public Works Commission (OPWC) Loan #CE32N	44,825	0.00%
Ohio Public Works Commission (OPWC) Loan #CE20N	14,601	0.00%
 Total	 <u>\$ 1,694,312</u>	

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

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

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

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

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

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013 AND 2012**

enhancement rates sufficient to cover OWDA debt service requirements.

**5. Debt (Continued)**

Ohio Water Development Authority (OWDA) Loan #5815 relates to the combined sewer separation project being conducted. OWDA approved up to \$285,390 in loans to the Village. This Project is funded through Federal Non-ARRA grant funding projects, with \$228,312 in principal forgiveness. There was \$190,543 in loan disbursements during 2012. In 2013 the OWDA applied the \$228,312 in principal forgiveness to the loan balance. The principal forgiveness along with the principal payments of \$28,539 in 2012 and 2013 made by the Village completely paid off this loan commitment.

Ohio Water Development Authority (OWDA) Loan #6347 relates to the long term control plan related to the combined sewer separation project undertaken by the Village. The OWDA approved up to \$5,774,056 in loans to the Village; however, the Village has only borrowed \$4,949,475 for this project as of December 31, 2013. This Project is funded through the Water Pollution Control Loan Fund, of which \$4,137,904 of the commitment is principal forgiveness and \$1,636,152 is to be repaid by the Village. An amortization schedule has not been finalized for this loan. The Village will repay the loan in semiannual installments of a yet to be determined amount over 20 years with no interest. Sewer receipts collateralize the loans.

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

The Ohio Public Works Commission (OPWC) loan #CE15L relates to Phase 1 of the long term control plan which consists of upgrades to the sewer system's lagoon and main pumping station. OPWC has approved up to \$50,391 in loans to the Village; however, the Village has only borrowed \$18,732 for this project as of December 31, 2013. The Village will repay the loan in semiannual installments of \$468 over 20 years. Sewer receipts collateralize the loans.

The Ohio Public Works Commission (OPWC) loan #CE20N relates to the Gamble Road Widening project. OPWC has approved up to \$125,000 in loans to the Village; however, the Village has only borrowed \$15,785 for this project as of December 31, 2013. The Village will repay the loan in semiannual installments of \$395 over 20 years. Sewer receipts collateralize the loans.

The Ohio Public Works Commission (OPWC) loan #CE32N relates to the New Fulton Street Lift Station project. OPWC has approved up to \$56,610 in loans to the Village; however, the Village has only borrowed \$47,184 for this project as of December 31, 2013. The Village will repay the loan in semiannual installments of \$1,180 over 20 years. Sewer receipts collateralize the loans.

In 2010, the Village obtained a loan from Huntington Bank for \$19,000 which was for the purchase of a new Ford Explorer. The Village will repay the loan in monthly payments of \$358 over five years. The Village paid off the remaining principal balance on this loan in 2013.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013 AND 2012**

**5. Debt (Continued)**

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

	Mortgage Revenue Bonds	OWDA Loans	OPWC Loans
2014	\$ 84,450	\$ 19,187	\$ 12,409
2015	84,500	19,187	12,409
2016	84,500	19,187	12,409
2017	84,500	19,187	12,409
2018	84,500	19,187	12,409
2019-2023	169,100	97,244	53,498
2024-2028	-	70,476	20,420
2029-2033	-	29,707	13,620
	<u>\$ 591,550</u>	<u>\$ 293,362</u>	<u>\$ 149,582</u>

The Ohio Water Development Authority Loan #6347 amortization is not included in the above debt service requirements because the projects are not yet complete.

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2013, OP&F participants contributed 5% of their wages and the Village contributed to OP&F an amount equal to 24.5% through June 30, 2013. After July 1, 2013, the Village contribution increased to 25.25%. For 2012, OP&F members contributed 10% of their gross salaries and the Village contributed an amount equaling 19.5% of full time police members' wages. For 2013, OPERS members contributed 5%, of their gross salaries, and the Village contributed an amount equaling 19% of participants' gross salaries. For 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village had paid all contributions required through December 31, 2013.

**7. Risk Management**

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

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013 AND 2012**

**7. Risk Management (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. Local Income Tax**

The Village levies a municipal income tax of 1.5% on all income earned by residents of the Village and upon all income earned within the Village limits by non-residents as certain income of residents earned outside of the Village.

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

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

**9. Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine if amounts grantors may disallow. However based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>FEDERAL GRANTOR\ Pass Through Grantor\ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Thru Entity Identifying Number</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>			
<i>Passed - Through Ohio Department of Development</i>			
Community Development Block Grants/State's Program	14.228	C-W-12-2MQ-1	\$ 508,000
Total U.S. Department of Housing and Urban Development			<u>508,000</u>
Total Expenditures of Federal Awards			<u>\$ 508,000</u>

*The accompanying notes are an integral part of this schedule.*



**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the grant activity of the Village of Fayette, Fulton County, Ohio (the Village's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

November 11, 2014

Village of Fayette  
Fulton County  
PO Box 87  
Fayette, OH 43524

To the Mayor and Members of Village of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Fayette, Fulton County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 11, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03 permit. We qualified our opinion in the Special Revenue Fund Type due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as Charges for Services from concession sales, music festival admissions, fees for participation in youth league sports and other fund raiser collections.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-003 and 2013-006 described in the accompanying schedule of audit findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2013-004 through 2013-005 and 2013-006.

We also noted certain matters not requiring inclusion in the report that we reported to the Village's management in a separate letter dated November 11, 2014.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



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Marietta, Ohio

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR 1-133**

November 11, 2014

Village of Fayette  
PO Box 87  
Fayette, OH 43524

To the Mayor and Members of Village Council:

**Report on Compliance for the Major Federal Program**

We have audited the **Village of Fayette's**, Fulton County, (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying schedule of audit findings identifies the Village's major federal program.

***Management's Responsibility***

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with the requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

***Basis for Qualified Opinion on Community Development Block Grant***

As described in finding 2013-006 in the accompanying schedule of audit findings, the Village did not comply with requirements regarding Reporting applicable to its Community Development Block Grant major federal programs. Compliance with the requirement is necessary, in our opinion, for the Village to comply with requirements applicable to this program.

***Qualified Opinion on Community Development Block Grant***

In our opinion, except for the noncompliance described in the ***Basis for Qualified Opinion on Community Development Block Grant Paragraph***, the Village of Fayette, Fulton County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

**Other Matters**

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

**Report on Internal Control Over Compliance**

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of audit findings as item 2013-006 to be a material weakness.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF AUDIT RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Adverse – GAAP Basis Qualified on Regulatory Basis
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Program’s Compliance Opinion</b>	Qualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #14.228 – Community Development Block Grant
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2013-001**

**Material Weakness**

**Reconciliation of Income Tax Subsidiary System**

Income tax receipts are deposited by the Income Tax Administrator daily. The subsequent posting of those receipts to the Village’s income tax subsidiary system occurs when the Income Tax Administrator has time to do so. This lapse in time between when the deposits occurs and posting to the income tax subsidiary system could cause a potential \$15 late fee or half percent of income tax due to be posted to tax payer accounts. These late fees are subsequently waived by the Income Tax Administrator. This is done without the approval of Council. The Income Tax Administrator is the only Village employee trained to operate the income tax subsidiary system.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS (CONTINUED)  
OMB CIRCULAR A -133 § .505  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2013-001(CONTINUED)**

**Material Weakness (Continued)**

**Reconciliation of Income Tax Subsidiary System (Continued)**

The Fiscal Officer summarizes the daily income tax receipts monthly. She posts the receipts in accordance with the income tax ordinance. No report from the income tax subsidiary system can be generated for the Fiscal Officer to reconcile the amounts recorded in the accounting system to the income tax subsidiary system. This could cause errors to occur and not be detected timely by the Villages management or result in the misappropriation of assets.

Sound internal control procedures are necessary to safeguard assets and produce reliable financial information. Such procedures include reviews of supporting documentation to ensure amounts collected are deposited and recorded on the same day. In addition, waived late fees should be approved by Council.

We recommend the Fiscal Officer and Income Tax Administrator reconcile the accounting system to the income tax subsidiary system at least monthly to ensure all amounts are properly reported and deposited. All noncash adjustments to customer accounts, including the waiving of the late fee, are approved by the Council in the minutes. Further we recommend additional Village personnel are trained to operate the income tax subsidiary system.

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

**FINDING NUMBER 2013-002**

**Material Weakness**

**Bank Reconciliations**

Bank reconciliations should be completed timely, accurately and list all items to reconcile the Village's funds to the period end balances on the bank statements with a proper cutoff of transactions for the period.

Bank reconciliations did not have a proper cutoff for the recording of interest earned on the Village's Certificates of Deposit for 2013 and 2012. For the December 2013 reconciliation, there was considerable time spent by the Villages' Management correcting the Village's accounting system to account for all errors found during fiscal year 2013 so the bank reconciliation could be completed accurately as of December 31, 2013. The December 2012 reconciliation was only able to be reconciled with the use of Other Adjusting Factors.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management prepare accurate reconciliations of the Village's funds to bank reported amounts. The reconciliation should be completed timely and include procedures to ensure that all applicable reconciling items are included in the correct period and in the correct amounts.

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS (CONTINUED)  
OMB CIRCULAR A -133 § .505  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2013-003**

**Material Weakness**

**Posting Receipts, Disbursements and Classification of Fund Balances**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund Balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54.

Receipts, disbursements and Fund balances were not always posted or classified correctly. The following errors were noted:

- Taxes posted as intergovernmental
- Special Assessments posted as Miscellaneous.
- Refunds from vendors for which the overpayment to the vendor was recorded as a disbursement and the refund occurred in the same fiscal year. The refund was recorded as miscellaneous revenue instead of a reduction of a disbursement.
- Personal Property Tax reimbursement received from the County Auditor was posted entirely to the General Fund instead of being split up in accordance with the County Auditor Settlement Sheet, which had the receipt broken up between General Fund and Park Special Revenue Fund.
- Note Proceeds classified as Intergovernmental.
- Intergovernmental revenues resulting from the forgiveness of debt from the Ohio Water Development Authority and corresponding principal payments was not recorded on the Villages financials.
- On behalf payments from the Ohio Water Development Authority loan was not recorded as note proceeds and corresponding payments to the vendor were not recorded as capital outlay or this on behalf payment activity was not recorded on the Villages financial statements at all.
- In 2013 and 2012, the encumbrances were misclassified as Unassigned rather than Assigned in the General Fund balance.
- In 2013 and 2012, all of the Capital Projects Fund balance was incorrectly recorded as Committed instead of split up between Committed and Restricted.

Not posting or classifying revenues, disbursements, and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all reclassifications and adjustments. Village management agrees with the adjustments, and all adjustments have been made to the Village's accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues, disbursements, and fund balances are properly identified and classified on the financial statements. We also recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for assistance in classifying fund balance.

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



**VILLAGE OF FAYETTE  
FULTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS (CONTINUED)  
OMB CIRCULAR A -133 § .505  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2013-004**

**Noncompliance**

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "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 period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer 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 current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 63% and 42% of the expenditures tested during 2013 and 2012, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are, or will be, available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS (CONTINUED)  
OMB CIRCULAR A -133 § .505  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING NUMBER 2013-004 (CONTINUED)**

**Noncompliance (Continued)**

**Ohio Revised Code § 5705.41(D) (Continued)**

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

**FINDING NUMBER 2013-005**

**Noncompliance**

**Missing or Destroyed Records**

**Ohio Rev. Code section 149.351(A)** establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

The Village collected charges for services revenues within the Parks Fund in the amount of \$14,441 and \$12,442 in 2013 and 2012 respectively.

The following documentation was not provided by the Village:

- Charges for Services Receipts in the Park Fund – No supporting documentation.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and irregularities occurring and not being detected by management in a timely manner.

We recommend the Village retain access to all supporting documentation pertaining to park receipts and those documents be safeguarded appropriately.

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

VILLAGE OF FAYETTE  
FULTON COUNTY

SCHEDULE OF AUDIT FINDINGS (CONTINUED)  
OMB CIRCULAR A -133 § .505  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2013-006

Noncompliance/Material Weakness

Federal Reporting

<b>Finding Number</b>	2013-006
<b>CFDA Title and Number</b>	14.228 Community Development Block Grant
<b>Federal Award Number/Year</b>	2012
<b>Federal Agency</b>	United States Department of Housing Development
<b>Pass-Through Agency</b>	Ohio Department of Development Ohio Office of Housing and Community Partnerships

**Office of Management and Budget A-133 Circular Subpart B\_.200** provides that Non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program specific audit conducted for that year.

**Office of Management and Budget A-133 Circular Subpart C\_.320** requires the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

The Council did not have a Single Audit conducted timely and therefore did not file their annual report with the Federal Audit Clearinghouse within the nine month period after the 2013 year-end.

Failure to file timely single audits could affect the Village's current federal funding and could jeopardize future federal funding.

We recommend Village officials review federal funds received and expended each year to determine whether a federal audit is required. We recommend that the Council have their audit completed and filled within the required nine month period after year-end.

**Officials Response:** Management will review federal revenues and expenditures (including expenditures that may later be submitted for federal reimbursement) each year to ensure that timely identification of the need for a federal audit is made.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-001	Reconciliation of Income Tax Subsidiary System	No	Repeated as Finding 2013-001
2011-002	Waiving of Water and Sewer Utility Late Fees	Yes	Corrected
2011-003	Posting of Receipts and Disbursements	No	Repeated as Finding 2013-003
2011-004	ORC §5705.41 (D) – Proper Encumbrance	No	Repeated as Finding 2013-004



# Dave Yost • Auditor of State

**VILLAGE OF FAYETTE**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 23, 2014**