



Dave Yost • Auditor of State

VILLAGE OF FAYETTE
FULTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Fayette
Fulton County
102 West Main Street
P.O. Box 87
Fayette, Ohio 43521-087

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fayette, Fulton County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fayette, Fulton County, Ohio, as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2018 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.



Dave Yost
Auditor of State

Columbus, Ohio

July 16, 2018

**VILLAGE OF FAYETTE
FULTON COUNTY
COMBINED STATEMENT OF RECIPITS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Total Governmental Funds
Receipts				
Property Taxes	\$56,176	\$22,173		\$78,349
Municipal Income Taxes	417,573		\$26,653	444,226
Intergovernmental	42,768	75,209	577,557	695,534
Special Assessments	170			170
Charges for Services	2,762	5,850		8,612
Fines, Licenses and Permits	7,684	250		7,934
Earnings on Investments	3,701	792		4,493
Miscellaneous	16,573	5,619		22,192
<i>Total Receipts</i>	<u>547,407</u>	<u>109,893</u>	<u>604,210</u>	<u>1,261,510</u>
Disbursements				
Current:				
Security of Persons and Property	240,997			240,997
Leisure Time Activities		29,250		29,250
Community Environment	1,925			1,925
Transportation	26,075	73,354		99,429
General Government	204,806			204,806
Capital Outlay	51,226	12,652	633,320	697,198
Debt Service:				
Principal Retirement		15,841		15,841
<i>Total Disbursements</i>	<u>525,029</u>	<u>131,097</u>	<u>633,320</u>	<u>1,289,446</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>22,378</u>	<u>(21,204)</u>	<u>(29,110)</u>	<u>(27,936)</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	38			38
Transfers In			9,224	9,224
Transfers Out	(9,224)			(9,224)
Advances In			300,000	300,000
Advances Out	(300,000)			(300,000)
Other Financing Sources		53		53
<i>Total Other Financing Sources (Uses)</i>	<u>(309,186)</u>	<u>53</u>	<u>309,224</u>	<u>91</u>
<i>Net Change in Fund Balances</i>	<u>(286,808)</u>	<u>(21,151)</u>	<u>280,114</u>	<u>(27,845)</u>
<i>Fund Cash Balances, January 1</i>	<u>881,628</u>	<u>197,511</u>	<u>59,927</u>	<u>1,139,066</u>
<i>Fund Cash Balances, December 31</i>				
Restricted		176,360	330,111	506,471
Committed			9,930	9,930
Assigned	113,385			113,385
Unassigned	481,435			481,435
<i>Fund Balances End of Year</i>	<u>\$594,820</u>	<u>\$176,360</u>	<u>\$340,041</u>	<u>\$1,111,221</u>

See accompanying notes to the basic financial statements 3

**VILLAGE OF FAYETTE
FULTON COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type
	Enterprise
Operating Receipts	
Charges for Services	\$569,996
Fees, License and Permits	510
Miscellaneous	1,938
	572,444
Operating Disbursements	
Personal Services	142,761
Transportation	69
Contractual Services	104,069
Supplies and Materials	39,407
	286,306
<i>Total Operating Receipts</i>	<i>572,444</i>
<i>Total Operating Disbursements</i>	<i>286,306</i>
Operating Income	286,138
Non-Operating Receipts (Disbursements)	
Capital Outlay	(47,628)
Earnings on Investments	1,566
Miscellaneous Receipts	3,360
Principal Retirement	(177,738)
Interest and Other Fiscal Charges	(18,358)
Other Financing Sources	7,160
Other Financing Uses	(4,659)
	(236,297)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(236,297)</i>
<i>Income before Transfers</i>	<i>49,841</i>
Transfers In	85,000
Transfers Out	(85,000)
	0
Net Change in Fund Cash Balances	49,841
Fund Cash Balances Beginning of Year	629,796
Fund Cash Balances End of Year	\$679,637

See accompanying notes to the basic financial statements

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting 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 fire protection services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's basic financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's governmental funds.

General The general fund accounts for and reports all financial resources not accounted for and reported 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.

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 This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

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

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.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Industrial Parkway 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, Ohio Department of Transportation-Jobs and Commerce and Fulton County used to develop the Industrial Parkway.

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

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

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.

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

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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

A summary of 2017 budgetary activity appears to Note 3.

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.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

Restricted Fund balance is reported as 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.

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 for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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.

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.

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.

Note 3 – Budgetary Activity

Budgetary Activity for the year ending December 31, 2017 follows:

2017 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$514,910	\$547,445	\$32,535
Special Revenue	105,650	109,946	4,296
Capital Projects	1,275,072	613,434	(661,638)
Enterprise	715,945	669,530	(46,415)
Total	\$2,611,577	\$1,940,355	(\$671,222)

2017 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$880,694	\$538,090	\$342,604
Special Revenue	169,915	132,656	37,259
Capital Projects	753,452	633,320	120,132
Enterprise	652,180	642,892	9,288
Total	\$2,456,241	\$1,946,958	\$509,283

Note 4 - Compliance

Contrary to Ohio law, revenues from a general levy for current expense \$9,224 were not paid in to the General fund.

Note 5 – Deposits

The Village maintains a deposit pool all funds use except the Village records identify the purchase of certificates of deposit by individual funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2017 was as follows:

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

	2017
Demand Deposits	\$ 1,478,644
Certificates of Deposit	312,214
Total Deposits	\$ 1,790,858

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Note 6 – Taxes

Property Taxes

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.

Income Taxes

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

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

Note 7 – Interfund Transfers and Advances

During 2017, interfund transfers included \$9,224 from the General Fund to the Street Improvement Fund to pay for street improvements and \$85,000 from the Water Operating Fund to the First Mortgage Debt Service Fund to pay debt service requirements for the Mortgage Revenue Bonds.

Outstanding advances at December 31, 2017, consisted of \$300,000 advanced to the Industrial Parkway Project Fund from the General to provide working capital for the project.

Note 8 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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.

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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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, 2016. (Latest Information available)

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 9 – Retirement Systems

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

The schedule of Outstanding Debt at December 31, 2016 was as follows:

Description	Interest Principal	Original Interest Rate
Mortgage Revenue Bonds	\$230,000	5.00%
Ohio Water Development Authority (OWDA) Loan #3731	47,864	5.14%
Ohio Water Development Authority (OWDA) Loan #4172	20,587	0.00%
Ohio Water Development Authority (OWDA) Loan #4573	23,146	2.00%
Ohio Water Development Authority (OWDA) Loan #4706	41,229	2.00%
Ohio Water Development Authority (OWDA) Loan #5137	51,577	0.00%
Ohio Water Development Authority (OWDA) Loan #6347	1,293,596	0.00%
Ohio Public Works Commission (OPWC) Loan # CE47P	112,888	0.00%
Ohio Public Works Commission (OPWC) Loan # CE32D	28,496	0.00%
Ohio Public Works Commission (OPWC) Loan # CE38E	17,067	0.00%
Ohio Public Works Commission (OPWC) Loan # CE15L	12,176	0.00%
Ohio Public Works Commission (OPWC) Loan # CE32N	36,568	0.00%
Ohio Public Works Commission (OPWC) Loan # CE20N	11,444	0.00%
Total	\$ 1,926,638	

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 water treatment plant repairs project. OWDA approved up to \$53,344 in loans to the Village; however, the Village only borrowed \$48,837 for this project. The Village will repay the loan in semiannual installments of \$1,488, including

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

interest, over 20 years. The Village has agreed to set water enhancement rates sufficient to cover OWDA debt service requirements.

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

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

Ohio Water Development Authority (OWDA) Loan #6347 relates to the long term control plan related to the combined sewer separation project undertaken by the Village. The OWDA approved up to \$5,774,056 in loans to the Village; however, the Village only borrowed \$5,697,427 for this project. This Project is funded through the Water Pollution Control Loan Fund, of which \$4,080,432 of the commitment is principal forgiveness and \$1,616,995 is to be repaid by the Village. The Village will repay the loan in semiannual installments of \$40,425 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 only borrowed \$18,732 for this project. The Village will repay the loan in semiannual installments of \$468 over 20 years. Sewer receipts collateralize the loan.

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 only borrowed \$15,785 for this project. The Village will repay the loan in semiannual installments of \$395 over 20 years. Property tax receipts collateralize the loan.

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. The Village will repay the loan in semiannual installments of \$1,180 over 20 years. Sewer receipts collateralize the loan.

The Ohio Public Works Commission (OPWC) loan #CE47P relates to the Village-Wide Street Resurfacing project. OPWC has approved up to \$208,000 in loans to the Village; however, the Village only borrowed \$150,518 for this project. The Village will repay the loan in semiannual installments of \$7,526 over 10 years. Property tax receipts collateralize the loan.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Fiscal Year Ending 12/31	Mortgage Revenue		
	Bonds	OWDA Loans	OPWC Loans
2018	\$ 84,500	\$ 100,037	\$ 27,462
2019	84,850	100,037	27,462
2020	84,000	100,037	27,462
2021		100,037	27,462
2022		100,037	27,462
2023-2027		484,507	61,993
2028-2032		438,737	18,157
2033-2034		83,108	1,179
Total	<u>\$ 253,350</u>	<u>\$ 1,506,537</u>	<u>\$ 218,639</u>

**VILLAGE OF FAYETTE
FULTON COUNTY
COMBINED STATEMENT OF RECIPITS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Total Governmental Funds
Receipts				
Property Taxes	\$56,421	\$22,253		\$78,674
Municipal Income Taxes	455,558		\$29,079	484,637
Intergovernmental	43,516	72,590	11,682	127,788
Charges for Services	2,763	7,985		10,748
Fines, Licenses and Permits	7,292	250		7,542
Earnings on Investments	3,989	869		4,858
Miscellaneous	12,740	2,517		15,257
<i>Total Receipts</i>	<u>582,279</u>	<u>106,464</u>	<u>40,761</u>	<u>729,504</u>
Disbursements				
Current:				
Security of Persons and Property	240,339			240,339
Leisure Time Activities		31,533		31,533
Community Environment	2,099			2,099
Transportation	29,071	50,245		79,316
General Government	150,270	607	42,809	193,686
Capital Outlay	12,756	1,590	94,556	108,902
Debt Service:				
Principal Retirement		243	24,204	24,447
<i>Total Disbursements</i>	<u>434,535</u>	<u>84,218</u>	<u>161,569</u>	<u>680,322</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>147,744</u>	<u>22,246</u>	<u>(120,808)</u>	<u>49,182</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets		500	42,809	43,309
Transfers In			9,260	9,260
Transfers Out	(9,260)			(9,260)
Other Financing Sources (Uses)	722	2		724
<i>Total Other Financing Sources</i>	<u>(8,538)</u>	<u>502</u>	<u>52,069</u>	<u>44,033</u>
<i>Net Change in Fund Balances</i>	139,206	22,748	(68,739)	93,215
<i>Fund Cash Balances, January 1</i>	<u>742,422</u>	<u>174,763</u>	<u>128,666</u>	<u>1,045,851</u>
<i>Fund Cash Balances, December 31</i>				
Restricted		197,511	124,790	322,301
Committed			706	706
Assigned	366,018			366,018
Unassigned (Deficit)	515,610		(65,569)	450,041
<i>Fund Balances End of Year</i>	<u>\$881,628</u>	<u>\$197,511</u>	<u>\$59,927</u>	<u>\$1,139,066</u>

See accompanying notes to the basic financial statements

VILLAGE OF FAYETTE
FULTON COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Proprietary Fund Type
	Enterprise
Operating Receipts	
Charges for Services	\$513,152
Fines, Licenses and Permits	13,071
Miscellaneous	70
	526,293
Operating Disbursements	
Personal Services	147,480
Contractual Services	75,819
Supplies and Materials	15,540
Capital Outlay	47,223
	286,062
<i>Total Operating Receipts</i>	<i>526,293</i>
<i>Total Operating Disbursements</i>	<i>286,062</i>
Operating Income	240,231
Non-Operating Receipts (Disbursements)	
Earnings on Investments	1,462
Principal Retirement	(164,909)
Interest and Other Fiscal Charges	(21,559)
Other Financing Sources	9,017
Interest and Other Fiscal Charges	(10,220)
	(186,209)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(186,209)</i>
Income before Transfers	54,022
Transfers In	84,300
Transfers Out	(84,300)
	54,022
Net Change in Fund Cash Balances	54,022
Fund Cash Balances Beginning of Year	575,774
	575,774
Fund Cash Balances End of Year	\$629,796

See accompanying notes to the basic financial statements

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Reporting 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 fire protection services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's basic financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's governmental funds.

General The general fund accounts for and reports all financial resources not accounted for and reported 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.

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 This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

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

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.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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

Industrial Parkway 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, Ohio Department of Transportation-Jobs and Commerce and Fulton County used to develop the Industrial Parkway.

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

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

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.

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

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Unencumbered appropriations lapse at year end.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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 approve estimated resources.

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

A summary of 2016 budgetary activity appears in Note 3.

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.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

Restricted Fund balance is reported as 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.

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 for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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.

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.

Note 3 – Budgetary Activity

Budgetary Activity for the year ending December 31, 2016 follows:

2016 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$483,246	\$583,001	\$99,755
Special Revenue	104,550	106,966	2,416
Capital Projects	292,997	92,830	(200,167)
Enterprise	640,450	621,072	(19,378)
Total	\$1,521,243	\$1,403,869	(\$117,374)

2016 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$507,896	\$444,029	\$63,867
Special Revenue	115,785	86,285	29,500
Capital Projects	209,887	190,319	19,568
Enterprise	642,033	578,053	63,980
Total	\$1,475,601	\$1,298,686	\$176,915

Note 4 - Compliance

Contrary to Ohio law, revenues from a general levy for current expense \$9,260 were not paid in the General fund, the Industrial Parkway fund had a negative fund balance of \$65,569 and proceeds from the sale of permanent improvements total of \$42,809 were recorded in the General fund instead of a special fund for the construction or acquisition of permanent improvements (Capital Projects fund).

Note 5 – Deposits

The Village maintains a deposit pool all funds use except the Village records identify the purchase of certificates of deposit by individual funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2016 was as follows:

	2016
Demand Deposits	\$ 1,458,688
Certificates of Deposit	310,174
Total Deposits	\$ 1,768,862

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Note 6 – Taxes

Property Taxes

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.

Income Taxes

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

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

Note 7 – Interfund Transfers

During 2016, interfund transfers included \$9,260 from the General Fund to the Street Improvement Fund to pay for street improvements and \$84,300 from the Water Operating Fund to the First Mortgage Debt Service Fund to pay debt service requirements for the Mortgage Revenue Bonds.

Note 8 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

(CONTINUED)

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, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 9 – Retirement Systems

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Note 11 – Debt

The schedule of Outstanding Debt at December 31, 2016 was as follows:

Description	Interest Principal	Original Interest Rate
Mortgage Revenue Bonds	\$300,000	5.00%
Ohio Water Development Authority (OWDA) Loan #3731	49,844	5.14%
Ohio Water Development Authority (OWDA) Loan #4172	23,528	0.00%
Ohio Water Development Authority (OWDA) Loan #4573	25,621	2.00%
Ohio Water Development Authority (OWDA) Loan #4706	45,133	2.00%
Ohio Water Development Authority (OWDA) Loan #5137	55,545	0.00%
Ohio Water Development Authority (OWDA) Loan #6347	1,374,446	0.00%
Ohio Public Works Commission (OPWC) Loan # CE47P	127,940	0.00%
Ohio Public Works Commission (OPWC) Loan # CE32D	34,196	0.00%
Ohio Public Works Commission (OPWC) Loan # CE38E	19,692	0.00%
Ohio Public Works Commission (OPWC) Loan # CE15L	13,112	0.00%
Ohio Public Works Commission (OPWC) Loan # CE32N	38,927	0.00%
Ohio Public Works Commission (OPWC) Loan # CE20N	12,234	0.00%
Total	\$ 2,120,218	

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

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

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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

Ohio Water Development Authority (OWDA) Loan #6347 relates to the long term control plan related to the combined sewer separation project undertaken by the Village. The OWDA approved up to \$5,774,056 in loans to the Village; however, the Village only borrowed \$5,697,427 for this project. This Project is funded through the Water Pollution Control Loan Fund, of which \$4,080,432 of the commitment is principal forgiveness and \$1,616,995 is to be repaid by the Village. The Village will repay the loan in semiannual installments of \$40,425 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 only borrowed \$18,732 for this project. The Village will repay the loan in semiannual installments of \$468 over 20 years. Sewer receipts collateralize the loan.

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 only borrowed \$15,785 for this project. The Village will repay the loan in semiannual installments of \$395 over 20 years. Property tax receipts collateralize the loan.

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. The Village will repay the loan in semiannual installments of \$1,180 over 20 years. Sewer receipts collateralize the loan.

The Ohio Public Works Commission (OPWC) loan #CE47P relates to the Village-Wide Street Resurfacing project. OPWC has approved up to \$208,000 in loans to the Village; however, the Village only borrowed \$150,518 for this project. The Village will repay the loan in semiannual installments of \$7,526 over 10 years. Property tax receipts collateralize the loan.

**VILLAGE OF FAYETTE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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

Fiscal Year Ending 12/31	Mortgage		
	Revenue Bonds	OWDA Loans	OPWC Loans
2017	\$ 85,000	\$ 100,037	\$ 27,462
2018	84,500	100,037	27,462
2019	84,850	100,037	27,462
2020	84,000	100,037	27,462
2021		100,037	27,462
2022-2026		492,816	85,370
2027-2031		445,098	19,489
2032-2034		168,475	3,932
Total	<u>\$ 338,350</u>	<u>\$ 1,606,574</u>	<u>\$ 246,101</u>



Dave Yost • Auditor of State

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

Village of Fayette
Fulton County
102 West Main Street
P.O. Box 87
Fayette, Ohio 43521-087

To the Village 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 cash balances, receipts, and disbursements by fund type of the Village of Fayette, Fulton County, Ohio, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated July 16, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001, 2017-002 and 2017-004 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 findings as items 2017-001 through 2017-003.

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.



Dave Yost
Auditor of State

Columbus, Ohio

July 16, 2018

**VILLAGE OF FAYETTE
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(F) provides, in part, that when a permanent improvement of the subdivision is sold, the amount received from the sale shall be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements.

In 2016, the Village sold a building, a Ford F-350 truck and other items for \$42,809. These proceeds were credited to the General fund instead of the Capital Projects fund. Village officials were unaware of this requirement. Adjustments were made to the accompanying financial statements and the accounting records to record these monies in the Capital Projects fund.

The Fiscal Officer should record receipts as required by law and management should review the Village Officer's Handbook for guidance on these situations.

FINDING NUMBER 2017-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(A) provides that all revenue derived from the general levy for current expense authorized by vote in excess of the ten-mill limitation, shall be paid into the general fund.

In 2017 and 2016, the Village recorded 25% of a general levy for current expenses to the Street Improvement fund, a capital projects fund. Village of Fayette, Local Ordinance #2013-007 authorized this allocation. These monies should be recorded in the General fund, as listed in the apportionments received from the County Auditor, and then transferred to the Street Improvement fund.

Village officials were unaware of this requirement. Adjustments of \$9,224 for 2017 and \$9,260 for 2016 were made to the accompanying financial statements and the accounting records to record these monies in the General fund and record a transfer to the Street Improvement fund.

The Fiscal Officer should record revenues derived from tax levies as required by law and tax apportionment sheets.

FINDING NUMBER 2017-003

Noncompliance

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund must be used only for the purposes from which such fund is established.

At December 31, 2016, the Industrial Parkway fund, a capital projects fund, had a negative fund balance of \$65,569. A negative fund cash balance indicates that money from other funds was used to cover the expenses of another.

This noncompliance was due to deficiencies in cash flow monitoring. Some projects occurred prior to the receipt of the funding, resulting in a negative fund balance.

Village officials should monitor cash flow needs and advance funds from allowable sources as needed to avoid negative fund balances.

FINDING NUMBER 2017-004

Financial Reporting - Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

A committed fund balance of \$178,668 was reported in the Capital Projects fund type as of December 31, 2017. The amount should have been classified as restricted in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, codified as GASB Cod 1800.168-.172.

This error was not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements have been adjusted to reflect these changes. Additional insignificant errors were also noted for the years ended December 31, 2017 and 2016.

To help ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer, management and Village Council, to help identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

THE VILLAGE OF FAYETTE

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FAYETTE OH 43521

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness – Prior Audit Adjustments were not properly made and debt was not properly recorded.	Corrective action was taken and finding is fully corrected.	

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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
AUGUST, 9 2018