



**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF FAYETTEVILLE  
BROWN COUNTY

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## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Fayetteville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our audit performed in accordance with the *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Village of Fayetteville  
Brown County  
Independent Accountants Report  
Page 2

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

**Jim Petro**  
Auditor of State

October 22, 2001

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$25,130	\$11,373	\$36,503
Intergovernmental Receipts	24,311	21,289	45,600
Charges for Services	2,405		2,405
Fines, Licenses, and Permits	48,687		48,687
Earnings on Investments	1,251	358	1,609
Miscellaneous	2,666		2,666
	<u>104,450</u>	<u>33,020</u>	<u>137,470</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	43,362	12,145	55,507
Public Health Services	794		794
Leisure Time Activities	1,474		1,474
Community Environment	747		747
Transportation	19,297	18,221	37,518
General Government	39,270		39,270
Debt Service:			
Principal Payments	10,700		10,700
Interest Payments	856		856
	<u>116,500</u>	<u>30,366</u>	<u>146,866</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>(12,050)</u>	<u>2,654</u>	<u>(9,396)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Proceeds of Notes	15,400		15,400
	<u>15,400</u>	<u>0</u>	<u>15,400</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,350	2,654	6,004
Fund Cash Balances January 1	<u>5,917</u>	<u>1,266</u>	<u>7,183</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$9,267</u></b>	<b><u>\$3,920</u></b>	<b><u>\$13,187</u></b>
Reserves for Encumbrances, December 31	<u>\$1,151</u>	<u></u>	<u>\$1,151</u>

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

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$136,111	\$0	\$136,111
Total Operating Cash Receipts	<u>136,111</u>	<u>0</u>	<u>136,111</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	14,382		14,382
Travel Transportation	3,051		3,051
Contractual Services	3,142		3,142
Supplies and Materials	115,947		115,947
Miscellaneous	100		100
Total Operating Cash Disbursements	<u>136,622</u>	<u>0</u>	<u>136,622</u>
Operating Income/(Loss)	<u>(511)</u>	<u>0</u>	<u>(511)</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		64,593	64,593
Total Non-Operating Cash Receipts	<u>0</u>	<u>64,593</u>	<u>64,593</u>
<b>Non-Operating Cash Disbursements:</b>			
Trustee Fees	1,780		1,780
Other Non-Operating Cash Disbursements		64,593	64,593
Total Non-Operating Cash Disbursements	<u>1,780</u>	<u>64,593</u>	<u>66,373</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(2,291)	0	(2,291)
Transfers-In	0		0
Transfers-Out	<u>0</u>		<u>0</u>
Net Receipts Over/(Under) Disbursements	(2,291)	0	(2,291)
Fund Cash Balances, January 1	<u>66,242</u>	<u>0</u>	<u>66,242</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$63,951</u></b>	<b><u>\$0</u></b>	<b><u>\$63,951</u></b>

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



**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$25,171	\$11,687	\$36,858
Intergovernmental Receipts	15,568	20,464	36,032
Charges for Services	3,225		3,225
Fines, Licenses, and Permits	38,229		38,229
Earnings on Investments	1,204	340	1,544
Miscellaneous	4,819	92	4,911
	<u>88,216</u>	<u>32,583</u>	<u>120,799</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	52,604	12,205	64,809
Public Health Services	455		455
Leisure Time Activities	935		935
Community Environment	1,577		1,577
Transportation	23,477	27,172	50,649
General Government	43,015	293	43,308
Debt Service:			
Principal Payments	2,000		2,000
Interest Payments	429		429
	<u>124,492</u>	<u>39,670</u>	<u>164,162</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>(36,276)</u>	<u>(7,087)</u>	<u>(43,363)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Other Financing Sources	<u>2,566</u>		<u>2,566</u>
Total Other Financing Receipts/(Disbursements)	<u>2,566</u>	<u>0</u>	<u>2,566</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(33,710)	(7,087)	(40,797)
Fund Cash Balances January 1	<u>39,627</u>	<u>8,353</u>	<u>47,980</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$5,917</u></b>	<b><u>\$1,266</u></b>	<b><u>\$7,183</u></b>
Reserves for Encumbrances, December 31	<u>\$1,877</u>		<u>\$1,877</u>

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

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$186,550	\$0	\$186,550
Total Operating Cash Receipts	186,550	0	186,550
<b>Operating Cash Disbursements:</b>			
Personal Services	15,577		15,577
Contractual Services	5,734		5,734
Supplies and Materials	115,720		115,720
Total Operating Cash Disbursements	137,031	0	137,031
Operating Income/(Loss)	49,519	0	49,519
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	0	46,500	46,500
Total Non-Operating Cash Receipts	0	46,500	46,500
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	0	46,500	46,500
Total Non-Operating Cash Disbursements	0	46,500	46,500
Net Receipts Over/(Under) Disbursements	49,519	0	49,519
Fund Cash Balances, January 1	16,723	0	16,723
<b>Fund Cash Balances, December 31</b>	<b><u>\$66,242</u></b>	<b><u>\$0</u></b>	<b><u>\$66,242</u></b>

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

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except for the Debt Service Fund maintained by an outside custodian, which is not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements..

**B. Basis of Accounting**

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

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

**C. Cash Deposits**

The Village deposits funds into an interest bearing checking account.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Police Fund - This fund receives local property tax money to provide police protection to Village residents.

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Enterprise Funds**

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

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

**4. Fiduciary Funds (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had one significant Fiduciary Fund. The Village uses an agency fund, the "Mayor's Court Fund" to account for the proceeds of court cases that are heard by the Mayor of the Village.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated. The Village did not encumber certain commitments required by Ohio law. However, a review was performed to determine the amount of additional encumbrances outstanding at year-end which were not recorded. These additional encumbrances were added to the financial statements as reserves.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Unpaid Vacation and Sick Leave**

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

**2. EQUITY IN POOLED CASH DEPOSITS**

The Village maintains a cash deposits pool used by all funds except for Mayor's court which is maintained in a separate account. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash deposits at December 31 was as follows:

	<b>2000</b>	<b>1999</b>
Demand deposits	\$ 77,138	\$ 73,425
Total deposits	77,138	73,425

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 110,343	\$ 119,850	\$ 9,507
Special Revenue	29,765	33,020	3,255
Enterprise	110,000	136,111	26,111
Total	\$ 250,108	\$ 288,981	\$ 38,873

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 108,610	\$ 117,651	\$ (9,041)
Special Revenue	31,947	30,366	1,581
Enterprise	168,000	138,402	29,598
Total	<u>\$ 308,557</u>	<u>\$ 286,419</u>	<u>\$ 22,138</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 72,185	\$ 90,782	\$ 18,597
Special Revenue	29,673	32,583	2,910
Enterprise	110,000	186,550	76,550
Total	<u>\$ 211,858</u>	<u>\$ 309,915</u>	<u>\$ 98,057</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 111,810	\$ 126,369	\$ (14,559)
Special Revenue	38,026	39,670	(1,644)
Enterprise	126,724	137,031	(10,307)
Total	<u>\$ 276,560</u>	<u>\$ 303,070</u>	<u>\$ (26,510)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Street and Water funds by \$14,559, \$1,741, and \$10,307 respectfully for the year-ended December 1999 and in the General fund by \$ 9,041 for the year ended December 2000.

**4. PROPERTY TAX**

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

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

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

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**4. PROPERTY TAX (Continued)**

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

**5. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
1962 Mortgage Water Works Revenue Bond (See Note 9)	\$ 6,000	5.00%
1988 Municipal Building Bond	6,000	4.22%
Snow Removal Equipment Note	6,700	6.55%
	\$ 18,700	

The Municipal Building Bond was used by the Village to purchase the Village Hall. For the period March 1, 1993 through February 28, 1998 and March 1, 1998 through December 1, 2003, the bond shall bear interest rate equal to eighty percent of the five-year Treasury Bill rate of interest in effect on the fifth business day immediately preceding March 1, 1993 and March 1, 1998. From January 1, 1997 through December 31, 1998, the Village paid 4.22 percent interest.

The Snow Removal Equipment Note was issued to purchase needed snow removal equipment in the amount of \$8,700 on December 13, 1999, at 6.55 percent interest, and shall mature in one year. The proceeds of this note were not received until 2000. The note was reissued in December 2000 for \$6,700.

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

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

Year ending December 31:	Mortgage Revenue Bonds	Municipal Building Bond	Snow Removal Equipment Note
2001	3,225	2,084	7,139
2002	3,075	2,084	
2003		2,084	
Total	\$ 6,300	\$ 6,252	\$ 7,139

**6. RETIREMENT SYSTEMS**

The Village's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**6. RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries in 1999 and an amount equal to 10.84% in 2000. The Village has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

**8. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**9. CUSTODIAN OF OTHER VILLAGE ASSETS - DEBT SERVICE TRUST FUND**

Mortgage Water Works Revenue Bonds were issued in 1963 and were used to expand the water lines. Until 1993, the Village made monthly payments of \$387 to cover the principal and interest that was due. In September of 1993, Fifth Third Bank, as the trustee, determined that the current balance held in the bond fund was sufficient to make all future principal and interest payments through the maturity date. At December 31, 2000, the custodian held \$13,127 in Village assets to retire the 1963 bond. These assets and the related receipts and disbursements are not reflected in the accompanying financial statements.

**10. NONCOMPLIANCE**

Contrary to Ohio law, the Village advanced \$10,000 from the Water Fund to the General Fund during 2000.





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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Fayetteville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated October 22, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30408-001 through 2000-30408-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 22, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings as items 2000-30408-001 and 2000-30408-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financials statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

Village of Fayetteville  
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Report on Compliance and on Internal Control Required by  
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We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated October 22, 2001.

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

**Jim Petro**  
Auditor of State

October 22, 2001

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2000-30408-001**

**Noncompliance Citation/ Reportable Condition**

Ohio Rev. Code, Section 5705.41(D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate; and
2. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for all commitments at December 31, 2000 and 1999 for the General Fund in the amount of \$1,151 and \$1,877 respectfully. Additionally, prior certification was not obtained for 100% of the 1999 and 2000 vouchers reviewed and neither of the two exceptions provided for above were utilized. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. The financial statements have been adjusted to properly reflect these encumbrances. This citation appeared in the prior audit report.

Furthermore, Ohio Rev. Code, Section 5705.36, requires the fiscal officer to certify to the County Auditor on or about January 1 the amount available for expenditures in each fund in the budget, with year-end balances. Due to not certifying all year-end commitments, incorrect amounts were certified to the County Auditor for January 1, 2000 and 2001.

**FINDING NUMBER 2000-30408-002**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.10, states in part that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established. In 2000, the Village transferred Water Fund monies in the amount of \$10,000 to the General Fund, which can be used for any proper purpose. Therefore, this advance is unallowable. The advance was eliminated on the financial statements and the corresponding adjustments were recorded in the originating funds on the Village books. We recommend that the Village's research the Ohio Village Handbook for advance requirements and/or contact their legal council for guidance before approving such advances.

**FINDING NUMBER 2000-30408-003**

**Noncompliance Citation/ Reportable Condition**

Ohio Rev. Code, Section 5705.41(B), prohibits disbursements in excess of appropriations. The following funds had year-end disbursements in excess of appropriations:

Fund	Fiscal Year	Appropriations	Actual Disbursements	Variance
General	1999	\$111,810	\$126,369	\$(14,559)
Street	1999	23,571	25,312	(1,741)
Water	1999	126,724	137,031	(10,307)
General	2000	108,610	117,651	(9,041)

This condition was the result of the Village making expenditures without monitoring and amending their appropriations. We recommend that the Village Council review appropriations versus expenditures on a monthly basis and approve any appropriation amendments in the minute record. This citation appeared in the prior audit report.

**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY  
DECEMBER 31, 2000**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <b><i>Explain:</i></b>
1998-30408-001	Ohio Rev. Code Section 5705.41(B) Disbursements exceeding appropriations	No	Not Corrected, reissued as finding number 2000-30408-003.
1998-30408-002	Ohio Rev. Code Section 5705.41(D) Prior Certification of Funds  Ohio Admin. Code Section 117-5-13 Use of Purchase orders	No	Not Corrected, reissued as finding number 2000-30408-001





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF FAYETTE**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 8, 2001**