



**VILLAGE OF FAYETTE
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2021-2020

VILLAGE OF FAYETTE
FULTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Fayette
Fulton County
102 West Main Street
P.O. Box 87
Fayette, Ohio 43521-0087

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Fayette, Fulton County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 14 of the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Keith Faber
Auditor of State
Columbus, Ohio

December 12, 2022

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VILLAGE OF FAYETTE
FULTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$66,534	\$33,811		\$100,345
Municipal Income Tax	497,917		\$20,747	518,664
Intergovernmental	65,350	198,791	102,078	366,219
Special Assessments	357			357
Charges for Services	41,005			41,005
Fines, Licenses and Permits	8,917	125		9,042
Earnings on Investments	1,800	472		2,272
Miscellaneous	25,817	69		25,886
<i>Total Cash Receipts</i>	<u>707,697</u>	<u>233,268</u>	<u>122,825</u>	<u>1,063,790</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	361,035	52,847		413,882
Leisure Time Activities		13,262		13,262
Community Environment	18,332			18,332
Transportation	110,419	79,572		189,991
General Government	268,389	37,652		306,041
Capital Outlay	111,608	8,520	185,005	305,133
Debt Service:				
Principal Retirement	4,298	6,096	15,185	25,579
Interest and Fiscal Charges	445			445
<i>Total Cash Disbursements</i>	<u>874,526</u>	<u>197,949</u>	<u>200,190</u>	<u>1,272,665</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(166,829)</u>	<u>35,319</u>	<u>(77,365)</u>	<u>(208,875)</u>
Other Financing Receipts (Disbursements):				
Other Debt Proceeds			25,400	25,400
Transfers In			76,437	76,437
Transfers Out	(84,514)	(21,323)		(105,837)
Other Financing Sources	716			716
Other Financing Uses	(5,635)			(5,635)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(89,433)</u>	<u>(21,323)</u>	<u>101,837</u>	<u>(8,919)</u>
<i>Net Change in Fund Cash Balances</i>	(256,262)	13,996	24,472	(217,794)
<i>Fund Cash Balances, January 1</i>	<u>957,036</u>	<u>281,668</u>	<u>233,191</u>	<u>1,471,895</u>
<i>Fund Cash Balances, December 31</i>	<u>\$700,774</u>	<u>\$295,664</u>	<u>\$257,663</u>	<u>\$1,254,101</u>

See accompanying notes to the basic financial statements

VILLAGE OF FAYETTE
FULTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$584,050
Fines, Licenses and Permits	2,251
Miscellaneous	13,683
	599,984
Operating Cash Disbursements:	
Personal Services	189,612
Transportation	134
Contractual Services	168,003
Supplies and Materials	67,053
	424,802
<i>Operating Income</i>	175,182
Non-Operating Receipts (Disbursements):	
Earnings on Investments	1,044
Other Debt Proceeds	31,287
Miscellaneous Receipts	393
Capital Outlay	(205,272)
Principal Retirement	(127,049)
Interest and Other Fiscal Charges	(5,287)
Other Financing Sources	5,100
Other Financing Uses	(4,760)
	(304,544)
<i>Income before Transfers</i>	(129,362)
Transfers In	69,400
Transfers Out	(40,000)
	(99,962)
<i>Net Change in Fund Cash Balance</i>	(99,962)
<i>Fund Cash Balances, January 1</i>	631,997
<i>Fund Cash Balances, December 31</i>	\$532,035

See accompanying notes to the basic financial statements

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Gorham Township to receive fires protection services.

Public Entity Risk Pools

The Village participates in public entity risk pools. Notes 6 and 11 to the financial statements provide additional information for these entities.

Jointly Governed Organization

The Village participates in a jointly governed organization. Note 15 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village’s 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 all 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:

General Fund 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 fund:

Street Construction Maintenance and Repair

The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 fund:

Street Improvements Fund

The street improvements fund accounts for and reports tax levy monies restricted for construction, maintenance, and repair of streets within the Village.

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

The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund

The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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 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 carried over, and need not be reappropriated.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

A summary of 2021 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.

Capital Assets

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.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$643,388	\$708,413	\$65,025
Special Revenue	231,472	233,268	1,796
Capital Projects	232,923	224,662	(8,261)
Enterprise	731,990	707,208	(24,782)
Total	\$1,839,773	\$1,873,551	\$33,778

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,079,703	\$990,520	\$89,183
Special Revenue	274,135	224,602	49,533
Capital Projects	382,477	234,561	147,916
Enterprise	1,109,389	845,067	264,322
Total	\$2,845,704	\$2,294,750	\$550,954

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit accounts are as follows:

	2021
<i>Cash Management Pool:</i>	
Demand deposits	\$1,629,960
Certificates of deposit	106,067
Other time deposits (CDARS)	50,109
Total deposits	\$1,786,136

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Village is holding \$11,777 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 all income earned by residents of the Village and upon all income earned within the Village limits by non-residents 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 individual taxpayers file a declaration annually.

The Regional Income Tax Agency administers and collects income taxes for the Village. Payments are remitted monthly net of collection fees of approximately 3.0 percent.

Note 6 – 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
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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.

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	\$ 6,740,056

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2021.

Social Security

Two Village council members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Note 8 – 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan	\$40,547	3.10%
Ohio Water Development Authority Loans	1,297,052	0.00 - 5.14%
Ohio Public Works Commission Loans	<u>122,918</u>	0.00%
Total	<u><u>\$1,460,517</u></u>	

The KS StateBank Loan relates to the purchase of a backhoe. The Village will repay the loan in annual installments of \$21,227, including interest, over 3 years. The loan will be repaid from the Water, Sewer, Streets and General Funds.

Ohio Water Development Authority (OWDA) Loan #9453 relates to the purchase of 10 acres along Industrial Parkway to facilitate future water and wastewater system improvements, including a new bulk water station, sewer upgrades, and electrical improvements for supply wells and treatment lagoons. OWDA approved up to \$25,400 in loans to the Village; however the current loan balance also includes capitalized interest. The Village will repay the loan in semiannual installments of \$635, including interest, over 5 years with a balloon clause at the end of the 5-year term. The Village has agreed to set water rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) Loan #9485 relates to a planning loan for the development of a water distribution system study to address excessive water loss and frequent waterline breaks. OWDA approved up to \$195,683 in loans to the Village; however, the Village has only borrowed \$31,287 to date on this project. The loan agreement calls for semi-annual installments of \$4,892 to begin January 1, 2023 and continue for 5 years with a balloon clause at the end of the 5-year period. The Village expects to roll the balance of the planning loan into the larger construction project before the end of the 5-year period.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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.

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.

Ohio Water Development Authority (OWDA) Loan #7928 relates to the purchase of a building for a sewer lab and general maintenance. OWDA approved up to \$178,623 in loans to the Village; however, the Village borrowed \$178,887 (including capitalized interest) for this project. The Village will repay the loan in semiannual installments of \$4,743, including interest, over 20 years. Sewer and General 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.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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.

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

Year Ending December 31:	Bank Loan	OWDA Loans	OPWC Loans
2022	\$21,227	\$109,523	\$27,462
2023	21,227	109,523	24,612
2024		109,523	21,763
2025		106,582	19,137
2026		105,095	4,085
2027-2031		492,529	19,957
2023-2036		215,906	5,902
2037-2041		14,229	
Total	\$42,454	\$1,262,910	\$122,918

Leases

The Village leased a postage machine under a noncancelable lease. The Village disbursed \$743 to pay lease costs for the year ended December 31, 2021.

Note 10– Construction and Contractual Commitments

The Village will take delivery of a 2021 Vermeer chipper at a cost of \$31,771. At the end of 2021, these costs were encumbered in the Capital Projects Fund.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 12 – Related Party Transactions

A Village Council member is the owner of a company which the Village hired for reconstruction services at the Village Office. The Village paid \$2,027 for these services in 2021.

A Village employee is the owner of a company from which the Village rented equipment with an operator. The Village paid \$3,375 for these services in 2021.

Note 13 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Nonspendable:				
Unclaimed Monies	\$13,848			\$13,848
Outstanding Encumbrances	25,845	\$5,330	\$34,371	65,546
<i>Total</i>	<u>\$39,693</u>	<u>\$5,330</u>	<u>\$34,371</u>	<u>\$79,394</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund are restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 15 – Jointly Governed Organization

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2021, the Village paid RITA \$13,083 for income tax collection services.

Note 16 – Interfund Transfers

	Transfers In	Transfers Out
General Fund		\$ 84,514
Special Revenue:		
Street Construction, Maintenance, and Repair Fund		3,869
State Highway Fund		9,444
Local Motor Vehicle License Tax Fund		8,010
Total Special Revenue		\$ 21,323
Capital Projects:		
Capital Projects Fund	\$ 45,000	
Street Improvements Fund	31,437	
Total Capital Projects	76,437	
Enterprise:		
Water Fund	29,400	40,000
Water Enhancement Fund	40,000	
Total Enterprise	69,400	40,000
Totals	\$ 145,837	\$ 145,837

Transfers are used to move revenues from the funds that statute or budget requires to segregate money for anticipated capital projects and to provide additional resources for current operations.

VILLAGE OF FAYETTE
FULTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$62,958	\$32,807		\$95,765
Municipal Income Tax	502,292		\$20,929	523,221
Intergovernmental	53,594	207,528	23,402	284,524
Charges for Services	47,784	2,100		49,884
Fines, Licenses and Permits	9,134	175		9,309
Earnings on Investments	4,966	964	9	5,939
Miscellaneous	68,158	5,665		73,823
<i>Total Cash Receipts</i>	<u>748,886</u>	<u>249,239</u>	<u>44,340</u>	<u>1,042,465</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	303,828	16,659		320,487
Leisure Time Activities		17,992		17,992
Community Environment	28,789			28,789
Transportation	51,572	59,439		111,011
General Government	264,835	70,197		335,032
Capital Outlay	87,878	3,415	92,905	184,198
Debt Service:				
Principal Retirement	4,274			4,274
Interest and Fiscal Charges	470			470
<i>Total Cash Disbursements</i>	<u>741,646</u>	<u>167,702</u>	<u>92,905</u>	<u>1,002,253</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,240</u>	<u>81,537</u>	<u>(48,565)</u>	<u>40,212</u>
Other Financing Receipts (Disbursements):				
Other Debt Proceeds			59,905	59,905
Sale of Capital Assets	150			150
Transfers In		25,000	9,854	34,854
Transfers Out	(34,854)			(34,854)
Other Financing Sources	132			132
Other Financing Uses	(6,957)			(6,957)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(41,529)</u>	<u>25,000</u>	<u>69,759</u>	<u>53,230</u>
<i>Net Change in Fund Cash Balances</i>	<u>(34,289)</u>	<u>106,537</u>	<u>21,194</u>	<u>93,442</u>
<i>Fund Cash Balances, January 1</i>	<u>991,325</u>	<u>175,131</u>	<u>\$211,997</u>	<u>1,378,453</u>
<i>Fund Cash Balances, December 31</i>	<u>\$957,036</u>	<u>\$281,668</u>	<u>\$233,191</u>	<u>\$1,471,895</u>

See accompanying notes to the basic financial statements

VILLAGE OF FAYETTE
FULTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$559,163
Fines, Licenses and Permits	150
Miscellaneous	10,483
	569,796
Operating Cash Disbursements:	
Personal Services	218,102
Transportation	157
Contractual Services	110,110
Supplies and Materials	45,327
	373,696
<i>Operating Income</i>	196,100
Non-Operating Receipts (Disbursements):	
Earnings on Investments	2,555
Miscellaneous Receipts	283
Capital Outlay	(69,865)
Principal Retirement	(181,096)
Interest and Other Fiscal Charges	(7,194)
Other Financing Sources	14,867
Other Financing Uses	(3,280)
	(243,730)
<i>Net Change in Fund Cash Balance</i>	(47,630)
<i>Fund Cash Balances, January 1</i>	679,627
<i>Fund Cash Balances, December 31</i>	\$631,997

See accompanying notes to the basic financial statements

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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 fires protection services.

Public Entity Risk Pools

The Village participates in public entity risk pools. Notes 6 and 11 to the financial statements provide additional information for these entities.

Jointly Governed Organization

The Village participates in a jointly governed organization. Note 16 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village’s 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 all 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:

General Fund 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

The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Coronavirus Relief Fund

This coronavirus relief fund accounts for and reports the federal CARES Act monies used to provide technologies for remote work, costs associated with the pandemic, and to subsidize the cost of wages and benefits of first responders or other quarantined employees.

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 fund:

Street Improvements Fund

The street improvements fund accounts for and reports tax levy monies restricted for construction, maintenance, and repair of streets within the Village.

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

The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund

The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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 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
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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 reappropriated.

A summary of 2020 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.

Capital Assets

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.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$585,858	\$749,168	\$163,310
Special Revenue	257,510	274,239	16,729
Capital Projects	190,203	54,194	(136,009)
Enterprise	580,140	587,501	7,361
Total	\$1,613,711	\$1,665,102	\$51,391

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,111,387	\$888,985	\$222,402
Special Revenue	300,194	204,782	95,412
Capital Projects	154,552	33,000	121,552
Enterprise	1,050,684	686,248	364,436
Total	\$2,616,817	\$1,813,015	\$803,802

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit accounts are as follows:

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>
<i>Cash Management Pool:</i>	
Demand deposits	\$1,837,816
Certificates of deposit	165,956
Other time deposits (CDARS)	<u>100,120</u>
Total deposits	<u><u>\$2,103,892</u></u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Village is holding \$10,577 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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% on all income earned by residents of the Village and upon all income earned within the Village limits by non-residents 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 individual taxpayers file a declaration annually.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

The Regional Income Tax Agency administers and collects income taxes for the Village. Payments are remitted monthly net of collection fees of approximately 3.0 percent.

Note 6 – 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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM’s property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>(13,530,267)</u>
Members’ Equity	\$ 5,296,707

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village 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 health care and survivor and disability benefits.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

Social Security

Two Village council members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 8 – 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Principal	Interest Rate
Bank Loan	\$59,905	3.10%
Ohio Water Development Authority Loans	1,345,873	0.00 - 5.14%
Ohio Public Works Commission Loans	150,380	0.00%
Total	\$1,556,158	

The KS StateBank Loan relates to the purchase of a backhoe. The Village will repay the loan in annual installments of \$21,227, including interest, over 3 years. The loan will be repaid from the Water, Sewer, Streets and General Funds.

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.

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.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Ohio Water Development Authority (OWDA) Loan #7928 relates to the purchase of a building for a sewer lab and general maintenance. OWDA approved up to \$178,623 in loans to the Village; however, the Village borrowed \$178,887 (including capitalized interest) for this project. The Village will repay the loan in semiannual installments of \$4,743., including interest, over 20 years. Sewer and General 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.

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

Year Ending December 31:	Bank Loan	OWDA Loans	OPWC Loans
2021	\$21,227	\$109,523	\$27,462
2022	21,227	109,523	27,462
2023	21,227	109,523	24,612
2024		109,523	21,763
2025		106,582	19,137
2026-2030		502,770	20,425
2031-2035		301,273	9,519
2036-2038		23,715	
Total	\$63,681	\$1,372,432	\$150,380

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Leases

The Village leased a copier/printer and postage machine under noncancelable leases. The Village disbursed \$1,991 to pay lease costs for the year ended December 31, 2020.

Note 10– Construction and Contractual Commitments

The East Main Street Storm Sewer Reconstruction Project is expected to be completed in 2021 at an expected cost of \$105,900. These costs were not encumbered in the 2020 financial statements. The project is financed 51 percent by an OPWC grant, 34 percent by a CDBG grant with the remaining funds coming from the Village State Highway and Auto Permissive Funds.

The Village will take delivery of a 2021 International truck with a plow and Switch ‘N Go system at a cost of \$103,690. At the end of 2020, these costs were encumbered in the General and Sewer Funds.

The Village will take delivery of a valve maintenance system at a cost of \$84,660. These costs were not encumbered in the 2020 financial statements. The project is financed by funds coming from the Water, Sewer, and Street funds.

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 12 – Related Party Transactions

A Village Council member is the owner of a company which the Village hired for reconstruction services at the Village Office. The Village paid \$22,821 for these services in 2020.

A Village employee is the owner of a company from which the Village rented equipment with an operator. The Village paid \$5,195 for these services in 2020.

Note 13 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Fund Balances	General	Special Revenue	Total
Nonspendable:			
Unclaimed Monies	\$13,848		\$13,848
Outstanding Encumbrances	105,528	\$37,080	142,608
<i>Total</i>	\$119,376	\$37,080	\$156,456

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2020, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 15 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. The change included removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Note 16 – Jointly Governed Organization

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA’s operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2020, the Village paid RITA \$12,630 for income tax collection services.

Note 17 – Miscellaneous Receipts

Miscellaneous receipts in the General Fund primarily consisted of Bureau of Workers’ Compensation rebates.

**VILLAGE OF FAYETTE
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 18 – Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$ 34,854
Special Revenue:		
COPS FAST Grant Fund	\$ 25,000	
Capital Projects:		
Street Improvements Fund	<u>9,854</u>	
Totals	<u>\$ 34,854</u>	<u>\$ 34,854</u>

The Village transferred cash from the General Fund to the COPS FAST Grant Fund to fund the local share of the grant. The Village also transferred cash from the General Fund to the Street Improvements Fund to fund street projects.

Transfers are used to move revenues from the funds that statute or budget requires to collect them to fund local share of grants and segregate money for anticipated capital projects.

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

Village of Fayette
Fulton County
102 West Main Street
P.O. Box 87
Fayette, Ohio 43521-0087

To the Village Council:

We have audited, 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, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Fayette, Fulton County, Ohio (the Village) and have issued our report thereon dated December 12, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2021-002.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 12, 2022

VILLAGE OF FAYETTE
FULTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001

Material Weakness – Financial Reporting

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.

The following errors were identified for the year ended December 31, 2021:

- The amount reported as the appropriation authority in the budgetary activity note did not agree to amounts approved by Council. The appropriation authority amounts were understated in the Special Revenue and Capital Projects funds by \$46,841 and \$43,229, respectively.
- Budgetary expenditures in the budgetary activity note were understated in the General, Special Revenue, and Enterprise funds in the amounts of \$105,528, \$37,081, and \$51,117, respectively.

The following errors were identified for the year ended December 31, 2020:

- A debt issue of \$59,905 used for the purchase of a backhoe was not recorded in the Capital Projects Fund. Other Debt Proceeds revenues and capital outlay expenditures of \$59,905 should have been recorded.
- The amounts reported as appropriation authority in the budgetary activity note did not agree to amounts approved by Council. The appropriation authority amounts were understated in the General and Enterprise funds by \$31,180 and \$55,249, respectively, and overstated in the Special Revenue funds in the amount of \$5,000.
- Budgetary expenditures in the budgetary activity note were understated in the General and Enterprise funds in the amounts of \$30,969 and \$54,180, respectively.

These errors were not identified or corrected prior to the Village preparing its financial statements and notes to the financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. Failure to complete accurate financial statements and notes to the financial statements could lead to the Council making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these errors.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate the Village should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council, to help identify and correct errors and omissions.

FINDING NUMBER 2021-002

Noncompliance

Ohio Rev. Code § 731.141 states, in part, that when an expenditure, other than the compensation of persons employed by the village, exceeds fifty thousand dollars, the expenditure shall first be authorized and directed by ordinance of the legislative authority of the village. When so authorized and directed, except where the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code, available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, or required to be purchased from a qualified nonprofit agency under sections 125.60 to 125.6012 of the Revised Code, the village administrator shall make a written contract with the lowest and best bidder after advertisement for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the village or as provided in section 7.16 of the Revised Code. The bids shall be opened and shall be publicly read by the village administrator or a person designated by the village administrator at the time, date, and place as specified in the advertisement to bidders or specifications. The time, date, and place of bid openings may be extended to a later date by the village administrator, provided that written or oral notice of the change shall be given to all persons who have received or requested specifications no later than ninety-six hours prior to the original time and date fixed for the opening. All contracts shall be executed in the name of the village and signed on its behalf by the village administrator and the clerk.

On September 23, 2020, the Village Council approved the purchase of an International Truck and valve maintenance system in the amounts of \$55,890 and \$85,160, respectively. No documentation was available to show the items were bid or approved as emergency measures.

The Village did not have procedures in place to document the method of procurement for these purchases. Failure to follow competitive bidding procedures could result in the Village paying more for materials and labor.

The Village should contract all projects and equipment which exceed the \$50,000 threshold through competitive bidding procedures.

Officials' Response:

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

THE VILLAGE OF FAYETTE

102 W. MAIN STREET, PO Box 87

FAYETTE OH 43521

Ph# 419 237 2116

FAX# 419 237 2541



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021 AND 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Finding first reported in 2017. Material weakness and noncompliance with Ohio Rev. Code § 5705.10(A) for not posting all revenue derived from the general levy for current expense authorized by vote in excess of the ten-mill limitation, into the general fund.	Fully corrected.	
2019-002	Finding first reported in 2011. Material weakness due to financial statement reporting errors.	Not corrected and reissued as Finding 2021-001 in this report.	Additional errors occurred were not detected. Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF FAYETTE

FULTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/29/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov