



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF FAYETTEVILLE  
BROWN COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fayetteville, Brown County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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

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

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

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

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

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

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

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

Efficient • Effective • Transparent

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fayetteville, Brown County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

August 29, 2019

**Village of Fayetteville, Ohio***Brown County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$40,024	\$21,710	\$61,734
Intergovernmental	13,386	26,144	39,530
Charges for Services	26,708	0	26,708
Fines, Licenses and Permits	54,354	5,079	59,433
Earnings on Investments	493	111	604
Miscellaneous	1,534	270	1,804
<i>Total Cash Receipts</i>	<u>136,499</u>	<u>53,314</u>	<u>189,813</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	71,627	26,086	97,713
Public Health Services	709	0	709
Leisure Time Activities	4,426	0	4,426
Community Environment	27	0	27
Transportation	4,673	10,161	14,834
General Government	58,194	1,793	59,987
Debt Service:			
Principal Retirement		2,507	2,507
Interest and Fiscal Charges		262	262
<i>Total Cash Disbursements</i>	<u>139,656</u>	<u>40,809</u>	<u>180,465</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,157)</u>	<u>12,505</u>	<u>9,348</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	0	3,145	3,145
Transfers Out	(3,145)	0	(3,145)
Other Financing Sources	8,486	0	8,486
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,341</u>	<u>3,145</u>	<u>8,486</u>
<i>Net Change in Fund Cash Balances</i>	2,184	15,650	17,834
<i>Fund Cash Balances, January 1</i>	<u>19,331</u>	<u>34,773</u>	<u>54,104</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	50,423	50,423
Assigned	23,105	0	23,105
Unassigned (Deficit)	(1,590)	0	(1,590)
<i>Fund Cash Balances, December 31</i>	<u>\$21,515</u>	<u>\$50,423</u>	<u>\$71,938</u>

*See accompanying notes to the basic financial statements*

**Village of Fayetteville, Ohio**

*Brown County*

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)*

*All Proprietary and Fiduciary Fund Types*

*For the Year Ended December 31, 2018*

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$203,966	\$0	\$203,966
Miscellaneous	221	0	221
<i>Total Operating Cash Receipts</i>	<u>204,187</u>	<u>0</u>	<u>204,187</u>
<b>Operating Cash Disbursements</b>			
Personal Services	19,217	0	19,217
Employee Fringe Benefits	3,452	0	3,452
Contractual Services	52,443	0	52,443
Supplies and Materials	49,944	0	49,944
Other	79,202	0	79,202
<i>Total Operating Cash Disbursements</i>	<u>204,258</u>	<u>0</u>	<u>204,258</u>
<i>Operating Income (Loss)</i>	<u>(71)</u>	<u>0</u>	<u>(71)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(6,760)	0	(6,760)
Principal Retirement	(8,566)		(8,566)
Interest and Other Fiscal Charges	(2,855)	0	(2,855)
Other Non-Operating Receipts	0	77,529	77,529
Other Non-Operating Disbursements	0	(77,128)	(77,128)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(18,181)</u>	<u>401</u>	<u>(17,780)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(18,252)</u>	<u>401</u>	<u>(17,851)</u>
<i>Fund Cash Balances, January 1</i>	<u>154,509</u>	<u>3,705</u>	<u>158,214</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$136,257</u></u>	<u><u>\$4,106</u></u>	<u><u>\$140,363</u></u>

*See accompanying notes to the basic financial statements*



**Village of Fayetteville, Ohio**  
*Brown County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

The Village of Fayetteville (the Village), Brown County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, street maintenance and repairs, and police services. The Village's management believes these financial statements present all activities for which the Village is financially responsible.

**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 and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

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

***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.

***Highway Fund*** This fund receives gasoline tax and motor vehicle tax for traffic signal and maintenance.

***Police Levy Fund*** This fund receives money to provide police protection for the Village residents.

***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.

***Waste Removal Fund*** This fund accounts for the garbage and waste removal from residents located within the Village.

**Village of Fayetteville, Ohio**  
*Brown County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Basis of Accounting***

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

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

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***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 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village 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.

***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.

**Village of Fayetteville, Ohio**  
*Brown County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,288	\$144,985	\$9,697
Special Revenue	49,670	56,459	6,789
Enterprise	207,500	204,187	(3,313)
Total	\$392,458	\$405,631	\$13,173

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$156,142	\$142,801	\$13,341
Special Revenue	80,921	40,809	40,112
Enterprise	360,547	222,439	138,108
Total	\$597,610	\$406,049	\$191,561

**Village of Fayetteville, Ohio**  
*Brown County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 4 – Deposits and Investments**

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

	<u>2018</u>
Demand deposits	\$153,594
Certificates of deposit	58,616
Other time deposits (savings and NOW accounts)	
Total deposits and investments	<u><u>\$212,210</u></u>

**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.

**Note 6 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

**Village of Fayetteville, Ohio**  
*Brown County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**Note 8 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
General Obligation Bonds - Police Cruiser	\$2,643	5.0%
Ohio Water Development Authority Loan	183,902	1.5%
Total	\$186,545	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$275,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$5,710 including interest, over 20 years. The Village issued general obligation bonds to finance the purchase of a new police cruiser for Village Police Department in 2017. The Village used one of their National Cooperative Bank Certificate Deposit in the amount of \$12,539 as Collateral for the Police Cruiser Loan.

***Amortization***

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

Year Ending December 31:	OWDA Loan	General Obligation Bonds
2019	\$11,421	\$2,756
2020	11,421	
2021	11,421	
2022	11,421	
2023	11,421	
2024-2028	57,104	
2029-2033	57,104	
2034-2037	39,973	
Total	\$211,286	\$2,756

**Note 9 – 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.

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**Village of Fayetteville, Ohio***Brown County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$40,859	\$22,103	\$62,962
Intergovernmental	19,097	22,454	41,551
Charges for Services	13,800	0	13,800
Fines, Licenses and Permits	49,975	1,850	51,825
Earnings on Investments	545	97	642
Miscellaneous	16,031	3,500	19,531
<i>Total Cash Receipts</i>	<u>140,307</u>	<u>50,004</u>	<u>190,311</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	64,789	30,047	94,836
Public Health Services	600	0	600
Leisure Time Activities	3,746	0	3,746
Community Environment	205	0	205
Transportation	0	11,271	11,271
General Government	74,427	622	75,049
<i>Total Cash Disbursements</i>	<u>143,767</u>	<u>41,940</u>	<u>185,707</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,460)</u>	<u>8,064</u>	<u>4,604</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Debt Proceeds	5,150	0	5,150
Transfers In	0	1,850	1,850
Transfers Out	(1,850)	0	(1,850)
Other Financing Sources	500	0	500
Other Financing Uses	(150)	0	(150)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,650</u>	<u>1,850</u>	<u>5,500</u>
<i>Net Change in Fund Cash Balances</i>	190	9,914	10,104
<i>Fund Cash Balances, January 1</i>	<u>19,141</u>	<u>24,859</u>	<u>44,000</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	34,773	34,773
Assigned	5,192	0	5,192
Unassigned (Deficit)	14,139	0	14,139
<i>Fund Cash Balances, December 31</i>	<u>\$19,331</u>	<u>\$34,773</u>	<u>\$54,104</u>

*See accompanying notes to the basic financial statements*

**Village of Fayetteville, Ohio***Brown County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Proprietary and Fiduciary Fund Types**For the Year Ended December 31, 2017*

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$207,981	\$0	\$207,981
<i>Total Operating Cash Receipts</i>	<u>207,981</u>	<u>0</u>	<u>207,981</u>
<b>Operating Cash Disbursements</b>			
Personal Services	23,280	0	23,280
Employee Fringe Benefits	3,696	0	3,696
Contractual Services	48,958	0	48,958
Supplies and Materials	27,688	0	27,688
Other	88,786	0	88,786
<i>Total Operating Cash Disbursements</i>	<u>192,408</u>	<u>0</u>	<u>192,408</u>
<i>Operating Income (Loss)</i>	<u>15,573</u>	<u>0</u>	<u>15,573</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(8,439)	0	(8,439)
Interest and Other Fiscal Charges	(2,982)	0	(2,982)
Other Non-Operating Receipts	0	65,951	65,951
Other Non-Operating Disbursements	0	(63,131)	(63,131)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(11,421)</u>	<u>2,820</u>	<u>(8,601)</u>
<i>Net Change in Fund Cash Balances</i>	<u>4,152</u>	<u>2,820</u>	<u>6,972</u>
<i>Fund Cash Balances, January 1</i>	<u>150,357</u>	<u>885</u>	<u>151,242</u>
<i>Fund Cash Balances, December 31</i>	<u>\$154,509</u>	<u>\$3,705</u>	<u>\$158,214</u>

*See accompanying notes to the basic financial statements*



**Village of Fayetteville, Ohio**  
*Brown County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

The Village of Fayetteville (the Village), Brown County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, street maintenance and repairs, and police services. The Village's management believes these financial statements present all activities for which the Village is financially responsible.

**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 and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

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***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.

***Highway Fund*** This fund receives gasoline tax and motor vehicle tax for traffic signal and maintenance.

***Police Levy Fund*** This fund receives money to provide police protection for the Village residents.

***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.

***Waste Removal Fund*** This fund accounts for the garbage and waste removal from residents located within the Village.

**Village of Fayetteville, Ohio**  
*Brown County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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***Basis of Accounting***

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

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

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***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 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village 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.

***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.

**Village of Fayetteville, Ohio**  
*Brown County*  
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*For the Year Ended December 31, 2017*

**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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**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.

**Note 3 - Budgetary Activity**

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,600	\$145,957	\$357
Special Revenue	50,735	51,854	1,119
Enterprise	212,600	207,981	(4,619)
Total	\$408,935	\$405,792	(\$3,143)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$163,272	\$145,767	\$17,505
Special Revenue	74,441	41,940	32,501
Enterprise	366,423	203,829	162,594
Total	\$604,136	\$391,536	\$212,600

**Village of Fayetteville, Ohio**  
*Brown County*  
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**Note 4 – Deposits and Investments**

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

	<u>2017</u>
Demand deposits	\$153,928
Certificates of deposit	58,390
Total deposits and investments	<u>\$212,318</u>

**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.

**Note 6 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

**Note 8 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
General Obligation Bonds - Police Cruiser	\$5,150	5.0%
Ohio Water Development Authority Loan	192,472	1.5%
Total	\$197,622	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$275,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$5,710 including interest, over 20 years. The Village issued general obligation bonds to finance the purchase of a new police cruiser for Village Police Department. The Village used one of their National Cooperative Bank Certificate Deposit in the amount of \$12,539 as Collateral for the Police Cruiser Loan.

***Amortization***

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

Year Ending December 31:	OWDA Loan	General Obligation Bonds
2018	\$11,421	\$2,769
2019	11,421	2,755
2020	11,421	
2021	11,421	
2022	11,421	
2023-2027	57,104	
2028-2032	57,104	
2033-2037	51,394	
Total	\$222,707	\$5,524

**Note 9 – 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.

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# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Fayetteville, Brown County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2019. wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2018-001 and 2018-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2018-003 and 2018-004 described in the accompanying schedule of findings to be significant deficiencies.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-003.

**Purpose of this Report**

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



Keith Faber  
Auditor of State

Columbus, Ohio

August 29, 2019



**VILLAGE OF FAYETTEVILLE  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2018-001**

**Material Weakness**

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

Due to deficiencies in the Village's internal controls over financial reporting, the following conditions related to the Village's financial statements were identified:

- The Village did not report the Mayor's Court receipts, disbursements, and fund balances in the 2017 and 2018 financial statements. For 2017, the Mayor's Court Agency Fund had a beginning fund balance of \$885, Non-Operating cash receipts of \$65,951, Non-Operating cash disbursements of \$63,131, and Ending Fund Balance of \$3,705. For 2018, the Mayor's Court Agency Fund had Beginning Fund Balance of \$3,705, Non-Operating cash receipts of \$77,529, Non-Operating cash disbursements of \$77,128, and Ending Fund Balance of \$4,106.
- Assigned Fund Balance in the General Fund totaling \$5,192 in 2017 and \$23,105 in 2018 was incorrectly posted to Unassigned Fund Balance.
- Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent as outlined in Governmental Accounting Standards Board (GASB) Statement No. 54. The Village's Cruiser Fund did not meet the criteria for a Special Revenue Fund. For 2017, beginning fund balance of \$5,268, receipts of \$1,850, disbursements of \$5,727, and ending fund balance of \$1,391 were reclassified to the Police Fund. For 2018, beginning fund balance of \$1,671, receipts of \$3,865, disbursements of \$2,090, and ending fund balance of \$3,446 were reclassified to the Police Fund.
- Mayor's Court distributions totaling \$1,850 in 2017 and \$3,145 in 2018 were incorrectly posted to the Special Revenue Funds rather than the General Fund.
- Charges for Services receipts totaling \$13,583 in the General Fund were incorrectly posted to Miscellaneous receipts in 2018.
- Miscellaneous receipts totaling \$3,500 in the Police Fund were incorrectly posted to the General Fund in 2017.
- Intergovernmental receipts totaling \$1,760 in the General Fund were incorrectly posted to Miscellaneous receipts in 2017.
- Intergovernmental receipts totaling \$1,940 in the General Fund were incorrectly posted in 2018 rather than in 2017 when received.

**FINDING 2018-001  
(Continued)**

- Charges for Services receipts totaling \$2,000 in the General Fund were incorrectly posted in 2019 rather than in 2018 when received.
- Other Debt Proceeds and Other Financing Uses totaling \$5,150 and \$150, respectively, in the General Fund were incorrectly netted and posted to Other Financing Sources in 2017.
- Principal Retirement and Interest and Fiscal Charges totaling \$2,507 and \$262, respectively, in the Special Revenue Funds were incorrectly posted to Security of Persons and Property disbursements in 2018.

The financial statements and accounting records, where applicable, have been adjusted for these errors.

The Village did not have procedures in place for effective monitoring of the accuracy of the Village's financial reporting. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity and reviewing the annual report financial statements and footnotes. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation. The Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner. In addition, the Village officials should review and approve the annual financial statements and footnotes prepared by the Fiscal Officer prior to their filing with the Ohio Auditor of State.

**FINDING 2018-002**

**Material Weakness**

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices.

The Village provides a self-serve bulk water service. The water dispenser requires that consumers pay in cash for water purchases. We identified the following conditions related to management controls over the Bulk Water Sales receipts totaling \$14,396 and \$16,217 for 2018 and 2017, respectively:

- Cash receipts from the bulk water sales box were collected by only one individual;
- Meter readings, used to monitor the accuracy of the billing and completeness of cash received, were not documented for individual cash receipts recorded in the accounting system;
- Bulk water sales receipts were collected at irregular intervals ranging from one to three weeks;

**FINDING 2018-002  
(Continued)**

- The Village had no written policies or procedures outlining the collection, recording and depositing of the receipts, or establishing segregation of duties.

Failure to keep records results in a lack of financial accountability and could also result in misappropriation of funds.

Controls should be put into place to help assure that all charges-for-services receipts are properly accounted for. We recommend the implementation of the following controls:

- The Village should implement written policies and procedures for the bulk water sales cash collection point;
- The Village should have two individuals collect cash and take the meter reading from the bulk water sales collection box at least weekly;
- The Village should create and utilize a form to document the meter reading and amount of cash collected. The form should be completed and signed by the two individuals above each time the bulk water sales collection box is emptied;
- The Village should compare cash collected with the meter readings at least monthly to ensure water fees are properly charged to the consumers.

**FINDING 2018-003**

**Noncompliance/Significant Deficiency**

**Ohio Rev. Code § 2949.091(A)(1)(b)** states that all moneys collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of the state.

**Ohio Admin. Code § 117-2-02(A)** requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The accounting system should assure that the following five assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

1. Existence/occurrence: That recorded assets (and liabilities, if generally accepted accounting principles apply) exist as of fiscal year end, recorded transactions have occurred and are not fictitious.
2. Completeness: That all account balances and transactions that should be included in the financial records are included.
3. Rights and obligations: That recorded assets are rights of the public office and recorded liabilities (if generally accepted accounting principles apply), are obligations of the public office at the fiscal year end.

**FINDING 2018-003  
(Continued)**

4. Valuation/allocation: That generally accepted accounting measurement and recognition principles are properly selected and applied. This includes accounting measurement and recognition principles prescribed by the auditor of state for public offices that are not required to follow generally accepted accounting principles.
5. Presentation and disclosure: That financial statement elements are properly classified and described and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

Due to deficiencies in internal controls over the Mayor's Court, the following conditions related to the Village's Mayor's Court were identified:

- The Village did not prepare a bank reconciliation, list of reconciling items, or reconciliation of bonds and other open items outstanding at year end for the Mayor's Court in 2017 or 2018.
- The Village did not maintain a Fines and Fees Allocation Schedule to document the fund distribution of fines.
- The Village did not provide for audit a complete listing of citations, issued or non-issued, for 2017 or 2018.
- The Village did not provide for audit two citations issued in 2017.
- The Village did not provide deposit slips for Mayor's Court receipts deposited in January and February 2017 and January and October 2018.
- Three of 14 (21%) receipts totaling \$450 in 2018 did not trace to a validated deposit slip.
- The Court failed to remit money collected to the State of Ohio by the 20th of the following month for one month in 2017 and three months in 2018.

Failure to accurately maintain the Mayor's Court Cashbook, dockets, and citations reduces the accountability over the Court receipts and disbursements, and increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend that the Village remit amounts owed to the State of Ohio each month. Monthly Control procedures should be put into place to help assure that all Mayor's Court receipts and disbursements are properly accounted for. We recommend the implementation of the following controls:

- The Mayor's Court Clerk should prepare monthly bank reconciliations to the Mayor's Court accounting system, and the Mayor's Court bank reconciliations, monthly reports, and receipts and disbursements should receive a supervisory review;
- Fine amounts should be verified to the authorized fine schedule;
- All citations and deposit slips should be maintained in accordance with the Village's records retention schedule.

**FINDING 2018-004**

**Significant Deficiency**

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.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village Officer's Handbook communicates the procedures for the annual tax budget preparation, public notice and hearings, adoption, enactment and revision.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The following conditions were identified:

- The Village failed to properly prepare and adopt an annual tax budget for 2018 by July 15, 2017 and for 2019 by July 15, 2018. The Village also did not provide a public notice or a public hearing for the tax budget.
- The Village Council approved supplemental appropriations in the minutes for 2017 and 2018. However, the minutes failed to record the specific accounts and amounts being amended. The legal level of control is the level (e.g., fund, program or function, department, or object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.
- The Village failed to accurately post estimated resources to the accounting system. We identified the following difference between the system and the approved budgetary documents filed with the County Auditor's Office for 2017 as follows:

<b>Estimated Resources</b>	<b>Per Certificate of Estimated Resources</b>	<b>Amount Posted to the System</b>	<b>Variance</b>
Garbage and Trash Removal Fund (5601)	\$25,000	\$29,500	\$4,500

- For 2018, the Drug Law Enforcement Fund (2904) had actual cash receipts totaling \$2,380 but the Final 2018 Certificate of Estimated Resources submitted to the Brown County Auditor had \$0.

**FINDING 2018-004  
(Continued)**

- Council approved the *Resolution Accepting Amounts and Rates as Determined by the Budget Commission and Authorizing the Necessary Tax Levies and Certifying Them to the County Auditor* at a special meeting on July 18, 2018. However, the minutes for this meeting were not included in the Village's official minutes book.
- The budgeted receipts and appropriation authority amounts in the financial statement footnotes did not agree to the official budgetary documents of the Village. The budgetary amounts were corrected in the notes to the financial statements.

Failure to properly adopt the annual tax budget and accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council and ensure the minutes record all approved appropriations amounts at the legal level of control. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

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

# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF FAYETTEVILLE**

**BROWN COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 19, 2019**