



OHIO AUDITOR OF STATE  
**KEITH FABER**





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 Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fayette, Fulton County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

### ***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.

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fayette, Fulton County, Ohio, as of December 31, 2019 and 2018, 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.

***Emphasis of Matter***

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State

Columbus, Ohio

September 23, 2020

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VILLAGE OF FAYETTE  
FULTON COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$65,559	\$33,642		\$99,201
Municipal Income Tax	515,918		\$21,496	537,414
Intergovernmental Revenue	62,516	107,146	38,401	208,063
Special Assessments	1,046			1,046
Charges for Services	43,244	5,050		48,294
Fines, Licenses and Permits	10,940	225		11,165
Earnings on Investments	12,100	2,105		14,205
Miscellaneous	27,978	1,267		29,245
<i>Total Cash Receipts</i>	<u>739,301</u>	<u>149,435</u>	<u>59,897</u>	<u>948,633</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	349,749	190		349,939
Leisure Time Activities		21,890		21,890
Community Environment	7,531			7,531
Transportation	41,815	65,029		106,844
General Government	244,506			244,506
Capital Outlay	20,211	44,224	41,300	105,735
Debt Service				
Redemption of Principal	4,249	789	15,052	20,090
Interest and Other Fiscal Charges	494			494
<i>Total Cash Disbursements</i>	<u>668,555</u>	<u>132,122</u>	<u>56,352</u>	<u>857,029</u>
<i>Excess of Receipts Over Disbursements</i>	<u>70,746</u>	<u>17,313</u>	<u>3,545</u>	<u>91,604</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers-In			20,000	20,000
Transfers-Out	(20,000)			(20,000)
Other Financing Sources	358	52		410
Other Financing Uses	(5,657)			(5,657)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(25,299)</u>	<u>52</u>	<u>20,000</u>	<u>(5,247)</u>
Net Change in Fund Cash Balances	45,447	17,365	23,545	86,357
Fund Cash Balances, January 1	945,878	157,766	188,452	1,292,096
<b>Fund Cash Balances, December 31</b>				
Nonspendable	13,747			13,747
Restricted		175,131	211,997	387,128
Committed	30,471			30,471
Assigned	266,516			266,516
Unassigned	680,591			680,591
<i>Fund Cash Balances, December 31</i>	<u>\$991,325</u>	<u>\$175,131</u>	<u>\$211,997</u>	<u>\$1,378,453</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$536,478
Fees, License and Permits	926
Miscellaneous	16,099
	553,503
<i>Total Operating Receipts</i>	553,503
<b>Operating Cash Disbursements:</b>	
Personal Services	180,144
Transportation	700
Contractual Services	133,452
Supplies and Materials	34,067
	348,363
<i>Total Operating Cash Disbursements</i>	348,363
<i>Operating Income</i>	205,140
<b>Non-Operating Receipts (Disbursements):</b>	
Capital Outlay	(18,006)
Earnings on Investments	6,803
Miscellaneous	20
Principal Retirement	(189,444)
Interest and Other Fiscal Charges	(11,806)
Other Financing Sources	6,555
Other Financing Uses	(5,020)
	(210,898)
<i>Total Non-Operating Receipts (Disbursements)</i>	(210,898)
<i>Loss before Transfers</i>	(5,758)
Transfers-In	31,515
Transfers-Out	(31,515)
	(5,758)
<i>Net Change in Fund Cash Balances</i>	(5,758)
Fund Cash Balances, January 1	685,385
<i>Fund Cash Balances, December 31</i>	\$679,627

See accompanying notes to the basic financial statements

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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 Pool**

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**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 (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary fund types which are organized on a fund type basis.

**Fund Accounting**

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

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

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

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

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

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

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

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

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

**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 Council 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. The County Budget Commission must also approve the annual appropriation measure. 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 also 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 forward over, and need not be reappropriated.

A summary of 2019 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.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**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*. 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.

**Property, Plant, and Equipment**

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

**Accumulated Leave**

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

**3. Budgetary Activity**

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$626,866	\$739,659	\$112,793
Special Revenue	133,120	149,487	16,367
Capital Projects	66,470	79,897	13,427
Enterprise	599,015	598,396	(619)
Total	\$1,425,471	\$1,567,439	\$141,968

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

2019 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$791,418	\$725,544	\$65,874
Special Revenue	152,690	132,122	20,568
Capital Projects	107,052	56,352	50,700
Enterprise	791,808	659,405	132,403
Total	<u>\$1,842,968</u>	<u>\$1,573,423</u>	<u>\$269,545</u>

**4. Compliance**

Contrary to Ohio law, revenues from a general levy for current expenses in the amount of \$8,477 were not paid in the General fund.

**5. Equity in Pooled Deposits**

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

	<u>2019</u>
Demand deposits	\$1,690,862
Cash on Hand	250
Certificates of deposit	<u>366,968</u>
Total deposits	<u><u>\$2,058,080</u></u>

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

**6. Property Tax**

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

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

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

**7. Local Income Tax**

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

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.

Beginning in October, 2017 the Regional Income Tax Agency was retained to administer the Village income tax regulations, collect all payments and process all returns. The agency deducts a fee of 3% receipts for this service.

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

**8. Risk Management**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. 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. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	( 11,329,011)
Members' Equity	<u>\$ 4,591,493</u>

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

**9. Retirement Systems**

***Ohio Public Employees Retirement System***

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

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, 2019.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare 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, 2019.

**10. Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**11. Debt**

Debt outstanding at December 31, 2019 was as follows:

<u>Debt Issuance Description</u>	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$ 80,000	5.00%
Ohio Water Development Authority (OWDA) Loan #3731	43,588	5.14%
Ohio Water Development Authority (OWDA) Loan #4172	14,705	0.00%
Ohio Water Development Authority (OWDA) Loan #4573	18,047	2.00%
Ohio Water Development Authority (OWDA) Loan #4706	33,185	2.00%
Ohio Water Development Authority (OWDA) Loan #5137	43,643	0.00%
Ohio Water Development Authority (OWDA) Loan #6347	1,131,896	0.00%
Ohio Water Development Authority (OWDA) Loan #7928	166,178	0.58%
Ohio Public Works Commission (OPWC) Loan #CE47P	82,785	0.00%
Ohio Public Works Commission (OPWC) Loan #CE32D	17,099	0.00%
Ohio Public Works Commission (OPWC) Loan #CE38E	11,815	0.00%
Ohio Public Works Commission (OPWC) Loan #CE15L	10,303	0.00%
Ohio Public Works Commission (OPWC) Loan #CE32N	31,849	0.00%
Ohio Public Works Commission (OPWC) Loan #CE20N	9,866	0.00%
Total	<u>\$ 1,694,959</u>	



**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

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

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

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

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

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

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.

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.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

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:

	Mortgage Revenue Bond	OWDA Loan	OPWC Loan
	<u>Bond</u>	<u>Loan</u>	<u>Loan</u>
2020	\$ 84,000	\$ 109,523	\$ 27,462
2021	-	109,523	27,462
2022	-	109,523	27,462
2023	-	109,523	21,763
2024	-	109,523	20,450
2025-2029	-	510,532	27,951
2030-2034	-	390,607	11,167
2035-2038	-	33,201	-
	<u>\$ 84,000</u>	<u>\$ 1,481,955</u>	<u>\$ 163,717</u>

**12. Interfund Transfers and Advances**

During 2019, interfund transfers included \$20,000 from the General fund to the Capital Project fund as a conservative action to pay for any unforeseen projects and \$31,515 from the Water Operating fund to the First Mortgage Debt Service fund to pay debt service requirements for the Mortgage Revenue Bonds.

**13. Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

VILLAGE OF FAYETTE  
FULTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$56,425	\$28,835		\$85,260
Municipal Income Tax	496,823		\$31,711	528,534
Intergovernmental Revenue	45,315	69,294	128,360	242,969
Charges for Services	12,997	3,200		16,197
Fines, Licenses and Permits	5,700	75		5,775
Earnings on Investments	7,187	1,291		8,478
Miscellaneous	16,400	1,297		17,697
<i>Total Cash Receipts</i>	<u>640,847</u>	<u>103,992</u>	<u>160,071</u>	<u>904,910</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	297,786	2,496		300,282
Leisure Time Activities		30,822		30,822
Community Environment	9,964			9,964
Transportation	44,121	72,625		116,746
General Government	221,999			221,999
Capital Outlay	10,910	883	111,674	123,467
Debt Service				
Redemption of Principal	2,112	15,841		17,953
Interest and Other Fiscal Charges	259			259
<i>Total Cash Disbursements</i>	<u>587,151</u>	<u>122,667</u>	<u>111,674</u>	<u>821,492</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>53,696</u>	<u>(18,675)</u>	<u>48,397</u>	<u>83,418</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			89,444	89,444
Transfers-In	12,840		10,570	23,410
Transfers-Out	(10,570)			(10,570)
Advances-In	300,000			300,000
Advances-Out			(300,000)	(300,000)
Other Financing Sources	549	81		630
Other Financing Uses	(5,457)			(5,457)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>297,362</u>	<u>81</u>	<u>(199,986)</u>	<u>97,457</u>
Net Change in Fund Cash Balances	351,058	(18,594)	(151,589)	180,875
Fund Cash Balances, January 1	594,820	176,360	340,041	1,111,221
<b>Fund Cash Balances, December 31</b>				
Nonspendable	13,389			13,389
Restricted		157,766	188,452	346,218
Assigned	146,232			146,232
Unassigned	786,257			786,257
<i>Fund Cash Balances, December 31</i>	<u>\$945,878</u>	<u>\$157,766</u>	<u>\$188,452</u>	<u>\$1,292,096</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$529,721
Fees, License and Permits	165
Miscellaneous	14,188
	544,074
<i>Total Operating Receipts</i>	544,074
<b>Operating Cash Disbursements:</b>	
Personal Services	148,450
Transportation	453
Contractual Services	113,140
Supplies and Materials	43,559
	305,602
<i>Total Operating Cash Disbursements</i>	305,602
<i>Operating Income</i>	238,472
<b>Non-Operating Receipts (Disbursements):</b>	
Capital Outlay	(115,941)
Earnings on Investments	4,093
Other Debt Proceeds	89,444
Miscellaneous	227
Principal Retirement	(183,081)
Interest and Other Fiscal Charges	(15,448)
Other Financing Sources	6,632
Other Financing Uses	(5,810)
	(219,884)
<i>Total Non-Operating Receipts (Disbursements)</i>	(219,884)
<i>Income before Transfers</i>	18,588
Transfers-In	84,500
Transfers-Out	(97,340)
	5,748
<i>Net Change in Fund Cash Balances</i>	5,748
Fund Cash Balances, January 1	679,637
<i>Fund Cash Balances, December 31</i>	\$685,385

See accompanying notes to the basic financial statements

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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 Pool**

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**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 (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary fund types which are organized on a fund type basis.

**Fund Accounting**

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

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

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

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

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

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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

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

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

**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 Council 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. The County Budget Commission must also approve the annual appropriation measure. 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 also 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 forward 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.

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

**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*. 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.

**Property, Plant, and Equipment**

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

**Accumulated Leave**

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

**3. Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$815,210	\$954,236	\$139,026
Special Revenue	132,600	104,073	(28,527)
Capital Projects	287,497	260,085	(27,412)
Enterprise	732,350	728,970	(3,380)
Total	\$1,967,657	\$2,047,364	\$79,707

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

2018 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$686,035	\$603,263	\$82,772
Special Revenue	218,639	160,727	57,912
Capital Projects	502,250	452,974	49,276
Enterprise	851,469	753,354	98,115
Total	<u>\$2,258,393</u>	<u>\$1,970,318</u>	<u>\$288,075</u>

**4. Compliance**

Contrary to Ohio law, revenues from a general levy for current expenses in the amount of \$9,239 were not paid in the General fund.

**5. Equity in Pooled Deposits**

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

	2018
Demand deposits	<u>\$1,612,227</u>
Cash on Hand	250
Certificates of deposit	<u>365,004</u>
Total deposits	<u><u>\$1,977,481</u></u>

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

**6. Property Tax**

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

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

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

**7. Local Income Tax**

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



**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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.

Beginning in October, 2017 the Regional Income Tax Agency was retained to administer the Village income tax regulations, collect all payments and process all returns. The agency deducts a fee of 3% receipts for this service.

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

**8. Risk Management**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. 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. 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. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

**9. Retirement Systems**

***Ohio Public Employees Retirement System***

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

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

***Ohio Police and Fire Retirement System***

The Village’s full-time Police Officers participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The Ohio Revised Code prescribes this plans’ benefits, which include postretirement healthcare 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, 2018.

**10. Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**11. Debt**

Debt outstanding at December 31, 2018 was as follows:

<u>Debt Issuance Description</u>	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$ 157,000	5.00%
Ohio Water Development Authority (OWDA) Loan #3731	45,780	5.14%
Ohio Water Development Authority (OWDA) Loan #4172	17,646	0.00%
Ohio Water Development Authority (OWDA) Loan #4573	20,622	2.00%
Ohio Water Development Authority (OWDA) Loan #4706	37,247	2.00%
Ohio Water Development Authority (OWDA) Loan #5137	47,610	0.00%
Ohio Water Development Authority (OWDA) Loan #6347	1,212,746	0.00%
Ohio Water Development Authority (OWDA) Loan #7928	174,663	0.58%
Ohio Public Works Commission (OPWC) Loan #CE47P	97,837	0.00%
Ohio Public Works Commission (OPWC) Loan #CE32D	22,797	0.00%
Ohio Public Works Commission (OPWC) Loan #CE38E	14,441	0.00%
Ohio Public Works Commission (OPWC) Loan #CE15L	11,240	0.00%
Ohio Public Works Commission (OPWC) Loan #CE32N	34,209	0.00%
Ohio Public Works Commission (OPWC) Loan #CE20N	10,655	0.00%
Total	<u>\$ 1,904,495</u>	

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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.

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

**VILLAGE OF FAYETTE  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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:

	Mortgage Revenue Bond	OWDA Loan	OPWC Loan
	<u>Bond</u>	<u>Loan</u>	<u>Loan</u>
2019	\$ 84,850	\$ 109,523	\$ 27,462
2020	84,000	109,523	27,462
2021	-	109,523	27,462
2022	-	109,523	27,462
2023	-	109,523	21,763
2024-2028	-	521,235	44,316
2029-2033	-	479,942	15,252
2034-2038	-	42,688	-
	<u>\$ 168,850</u>	<u>\$ 1,591,480</u>	<u>\$ 191,179</u>

**12. Interfund Transfers and Advances**

During 2018, interfund transfers included \$10,570 from the General fund to the Utility Improvement fund, \$12,840 in Unclaimed monies from Utility Deposit fund to the General fund and \$84,500 from the Water Operating fund to the First Mortgage Debt Service fund to pay debt service requirements for the Mortgage Revenue Bonds.

The \$300,000 advance was repaid to the General fund from the Industrial Parkway Project fund.

**13. Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



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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 and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Fayette, Fulton County, Ohio, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2020, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2019-001.

***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

September 23, 2020

**VILLAGE OF FAYETTE  
FULTON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Noncompliance and Material Weakness**

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

Due a deficiency in controls, the Village inappropriately recorded 25% of a general levy for current expenses to the Street Improvement fund in 2019 and 2018. Amounts were also recorded into the Parks fund in 2019. Given the source of the revenue, these monies should have been recorded in the General fund, as listed in the apportionments received from the County Auditor.

Audit adjustments in the amount of \$8,477 and \$9,239 were made to the accompanying financial statements and the accounting records to record these monies in the General fund for 2019 and 2018, respectively. The receipts were inappropriately recorded in the Street Improvement fund in the amount of \$7,069 and \$9,239 in 2019 and 2018, respectively, and in the Parks fund in the amount of \$1,408 in 2019.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds. The Fiscal Officer should record revenues derived from tax levies as required by law and tax apportionment sheets.

**FINDING NUMBER 2019-002**

**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.

We identified an error which required adjustment to the financial statements for the year ended December 31, 2019. A debt service principal payment of \$15,052 made on a loan was inappropriately recorded as capital outlay expenditure in the Capital Projects Fund.

This error was not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements have been adjusted to reflect this change. Additional errors in smaller relative amounts were also noted.

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, including a final review of the statements and notes to the financial statements by the Fiscal Officer, management and Village Council, to help identify and correct errors and omissions.

**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

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material weakness and noncompliance with Ohio Rev. Code § 5705.10(F) for the failure to record proceeds from the sale of capital assets in a permanent improvements fund.	Corrective action was taken and finding is fully corrected.	
2017-002	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.	Not corrected and reissued as Finding 2019-001 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.
2017-003	Noncompliance with Ohio Rev. Code § 5705.10(l) for the Industrial Parkway fund having a negative fund balance.	Corrective action was taken and finding is fully corrected.	
2017-004	Finding first reported in 2011. Material weakness due to financial statement reporting errors.	Not corrected and reissued as Finding 2019-002 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.



# 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 10/15/2020**

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](http://www.ohioauditor.gov)