

**VILLAGE OF FAIRVIEW,
GUERNSEY COUNTY**

**Audited Financial Statements
For the years ended December 31, 2004 and 2003**



**Auditor of State
Betty Montgomery**

Members of Council
Village of Fairview
PO Box 74
Fairview, Ohio 43736

We have reviewed the *Independent Accountants' Report* of the Village of Fairview, Guernsey County, prepared by Tucker & Tucker for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Fairview is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 28, 2006

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**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

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Independent Accountants' Report

Village of Fairview
Guernsey County, Ohio
P. O. Box 74
Fairview, Ohio 43736

To the Village Council:

We have audited the accompanying financial statements of the Village of Fairview, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Government to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 and 2003, the revisions require presenting entity wide statements and also to present its larger (i. e. major)

funds separately for 2004. While the Government does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Government has elected not to reformat its statements. Since this Government does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Fairview, Guernsey County, Ohio as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Fairview, Guernsey County, Ohio as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Government to include Management's Discussion and Analysis for the year ended December 31, 2004. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2006, on our consideration of the Government'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Tucker & Tucker

Cambridge, Ohio
May 30, 2006

VILLAGE OF FAIRVIEW, GUERNSEY COUNTY
Combined Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2004

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 2,760	\$ 1,037	\$ 3,797
Intergovernmental	3,796	3,309	7,105
Charges for Services	0	1,725	1,725
Earnings on Investments	20	0	20
Other Revenue	4,289	1,745	6,034
Total Cash Receipts	<u>\$ 10,865</u>	<u>\$ 7,816</u>	<u>\$ 18,681</u>
Cash Disbursements:			
Current:			
General Government	\$ 9,030	\$ 3,082	\$ 12,112
Public Safety	3,381	0	3,381
Basic Utility Services	185	0	185
Health	6	3,231	3,237
Debt Service:			
Redemption of Principal	1,005	0	1,005
Interest and Fiscal Charges	341	0	341
Capital Outlay	0	0	0
Total Cash Disbursements	<u>\$ 13,948</u>	<u>\$ 6,313</u>	<u>\$ 20,261</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>\$ (3,083)</u>	<u>\$ 1,503</u>	<u>\$ (1,580)</u>
Fund Cash Balances, January 1, 2004	<u>7,689</u>	<u>7,005</u>	<u>14,694</u>
Fund Cash Balances, December 31, 2004	<u>\$ 4,606</u>	<u>\$ 8,508</u>	<u>\$ 13,114</u>

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF FAIRVIEW, GUERNSEY COUNTY
Combined Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balances
Fiduciary Fund Type
For the Year Ended December 31, 2004

	Fiduciary Fund Type
	Non-Expendable Trust
Non-Operating Cash Receipts:	
Earnings on Investments	\$ 170
Total Non-Operating Cash Receipts	\$ 170
Net Receipts Over/(Under) Disbursements	\$ 170
Fund Cash Balances, January 1, 2004	10,309
Fund Cash Balances, December 31, 2004	\$ 10,479

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF FAIRVIEW, GUERNSEY COUNTY
Combined Statement of Cash Receipts, Cash Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2003

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 3,329	\$ 383	\$ 3,712
Intergovernmental	3,363	3,476	6,839
Charges for Services	0	1,325	1,325
Earnings on Investments	32	0	32
Other Revenue	4,095	300	4,395
Total Cash Receipts	<u>\$ 10,819</u>	<u>\$ 5,484</u>	<u>\$ 16,303</u>
Cash Disbursements:			
Current:			
General Government	\$ 5,668	\$ 3,411	\$ 9,079
Public Safety	3,310	0	3,310
Basic Utility Services	254	0	254
Health	6	1,796	1,802
Debt Service:			
Redemption of Principal	0	0	0
Interest and Fiscal Charges	0	0	0
Capital Outlay	4,500	0	4,500
Total Cash Disbursements	<u>\$ 13,738</u>	<u>\$ 5,207</u>	<u>\$ 18,945</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>\$ (2,919)</u>	<u>\$ 277</u>	<u>\$ (2,642)</u>
Other Financing Receipts/(Disbursements):			
Loan Proceeds	<u>\$ 4,500</u>	<u>\$0</u>	<u>\$ 4,500</u>
Total Other Financing Receipts/(Disbursements)	<u>\$ 4,500</u>	<u>\$0</u>	<u>\$ 4,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	\$ 1,581	\$ 277	\$ 1,858
Fund Cash Balances, January 1, 2003	<u>6,108</u>	<u>6,728</u>	<u>12,836</u>
Fund Cash Balances, December 31, 2003	<u><u>\$ 7,689</u></u>	<u><u>\$ 7,005</u></u>	<u><u>\$ 14,694</u></u>

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF FAIRVIEW, GUERNSEY COUNTY
Combined Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balances
Fiduciary Fund Type
For the Year Ended December 31, 2003

	Fiduciary Fund Type
	Non-Expendable Trust
Operating Cash Disbursements:	
Capital Outlay	\$ 5,000
Total Operating Cash Disbursements	\$ 5,000
Operating Income/(Loss)	\$ (5,000)
Non-Operating Cash Receipts:	
Earnings on Investments	\$ 249
Total Non-Operating Cash Receipts	\$ 249
Net Receipts Over/(Under) Disbursements	\$ (4,751)
Fund Cash Balances, January 1, 2003	15,060
Fund Cash Balances, December 31, 2003	\$ 10,309

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF FAIRVIEW, GUERNSEY COUNTY
Notes to the Financial Statements
December 31, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

The Village of Fairview, Guernsey County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village also has an elected Village Clerk. The Village provides general government services, road and bridge maintenance, cemetery maintenance and fire protection services.

The Village participates in the Public Entities Pool of Ohio public entity risk pool for coverage of property and casualty insurance. Note 6 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.

Basis of Accounting

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

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

Cash

Certificates of deposit are valued at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Accounting

The Village uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use, to aid financial management, and to demonstrate legal compliance. The Village classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of the State of Ohio.

Special Revenue Funds

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

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

Cemetery Fund – This fund receives donations, sale of lots, and charges for services to fund maintenance of the cemetery.

Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant Fiduciary Fund:

Cemetery Trust Fund – A nonexpendable trust used for the maintenance of the cemetery.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted and appropriated 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. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk.

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. The Village did not use the encumbrance method of accounting.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

Property, Plant and Equipment

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Long-Term Obligations

The Village's financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Estimates

The regulatory basis of accounting used by the Village requires management to make estimates and assumptions that affect certain reported amounts and disclosures and accordingly, actual results could differ from those estimates.

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 11,650	\$ 13,060
Certificates of deposit	<u>11,943</u>	<u>11,943</u>
Total	<u>\$ 23,593</u>	<u>\$ 25,003</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follow:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 10,120	\$ 10,865	\$ 745
Special Revenue	4,619	7,816	3,197
Fiduciary	0	170	170
Total	<u>\$ 14,739</u>	<u>\$ 18,851</u>	<u>\$ 4,112</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 17,227	\$ 13,948	\$ 3,279
Special Revenue	11,580	6,313	5,267
Fiduciary	308	0	308
Total	<u>\$ 29,115</u>	<u>\$ 20,261</u>	<u>\$ 8,854</u>

NOTE 3 - BUDGETARY ACTIVITY - continued

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 9,191	\$ 10,819	\$ 1,628
Special Revenue	3,796	5,484	1,688
Fiduciary	<u>0</u>	<u>249</u>	<u>249</u>
Total	<u>\$ 12,987</u>	<u>\$ 16,552</u>	<u>\$ 3,565</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 12,980	\$ 13,738	\$ (758)
Special Revenue	10,898	5,207	5,691
Fiduciary	<u>0</u>	<u>5,000</u>	<u>(5,000)</u>
Total	<u>\$ 23,878</u>	<u>\$ 23,945</u>	<u>\$ (67)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$758 and in the Cemetery Trust Fund by \$5,000, for the year ended December 31, 2003.

NOTE 4 – PROPERTY TAX

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in a year represent the collection of the prior year's taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statutes permits alternate payment dates to be established.

NOTE 4 – PROPERTY TAX - continued

Public utility property tax receipts received in a year represent the collection of the prior year's taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in a year (other than public utility property) represent the collection of that year's taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25% of true value for capital assets and 23% for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is April 30, with the remainder payable by September 20.

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

NOTE 5 – DEBT

Debt outstanding at December 31, 2004, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Capital Lease Obligation	\$ 3,495	7.575%

The capital lease obligation was obtained to finance the purchase of a used loader backhoe to be used for Village road and cemetery maintenance. The obligation is collateralized by the equipment purchased.

Amortization of the above debt is scheduled as follows:

<u>Year Ending December 31:</u>	
2005	\$ 1,081
2006	1,163
2007	<u>1,251</u>
Total	<u><u>\$ 3,495</u></u>

NOTE 6 – RISK POOL MEMBERSHIP

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

NOTE 6 – RISK POOL MEMBERSHIP - continued

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities, and retained earnings at December 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
<u>Casualty Coverage</u>		
Assets	\$ 30,547,049	\$ 25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained Earnings	<u>\$ 13,557,131</u>	<u>\$ 12,415,113</u>
 <u>Property Coverage</u>		
Assets	\$ 3,652,970	\$ 3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained Earnings	<u>\$ 3,108,199</u>	<u>\$ 2,366,752</u>

**Report on Internal Control over Financial Reporting and
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Village of Fairview
Guernsey County, Ohio
P. O. Box 74
Fairview, Ohio 43736

To the Village Council:

We have audited the accompanying financial statements of the Village of Fairview, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 30, 2006. In our report on the financial statements, we expressed a dual adverse/unqualified opinion on the financial statements. The adverse opinion resulted from financial statements not being prepared in accordance with accounting principles generally accepted in the United States of America. An unqualified opinion was expressed on the financial statements as prepared based on accounting practices the Auditor of State prescribes or permits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data

consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-01 and 2004-02.

A material weaknesses is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2004-01 and 2004-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-01 through 2004-04.

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

Tucker & Tucker

Cambridge, Ohio
May 30, 2006

VILLAGE OF FAIRVIEW, GUERNSEY COUNTY
Schedule of Findings
December 31, 2004 and 2003

REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES

Finding Number 2004-01 – Appropriations and Estimated Receipt Posting

Statement of Condition: Ohio Administrative Code § 117-2-02(A) requires all 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 required by rule 117-2-03 of the Administrative Code.

The Village's accounting system and accounting records did not enable the Village to document compliance with finance-related legal requirements, including various sections of Ohio Revised Code Chapter 5705 as follows:

- A. Although appropriations were posted to an appropriation ledger, the Village did not encumber funds and record expenditures in the appropriations ledger. As a result, there was no method established whereby the fiscal officer could determine if unencumbered appropriations were available for expenditure. Village management could not monitor the types of expenditures being made and the year-to-date expenditures made for any particular expenditure function. Comparisons of budgeted (appropriated) expenditures to actual expenditures are not provided to management as a tool to manage the Village.
- B. Estimated receipts were not posted to the receipts ledger. As a result, there was no method established whereby Village management could compare budgeted receipts to actual receipts and file amended certificates of estimated resources when needed.

Recommendation: We recommend that the Village utilize the encumbrance method of accounting by issuing purchase orders and posting encumbrances and subsequent disbursements to the appropriations ledger. We also recommend that budgeted and actual receipts be posted to the receipts ledger to provide useful monthly budget versus actual comparisons to assist management in monitoring Village operations.

Response: We agree with the Auditor's recommendation and will implement it immediately.

VILLAGE OF FAIRVIEW, GUERNSEY COUNTY
Schedule of Findings (continued)
December 31, 2004 and 2003

Finding Number 2004-02 – Purchase Order Procedures

Statement of Condition: Ohio Revised Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. One exception is: "then and now" certificates, provided for in section 5705.41 (D) (1) of the Ohio Revised Code.

"Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

During or audit fieldwork we noted numerous instances where purchase orders were not issued and approved for expenses incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Recommendation: We recommend that Village personnel obtain proper purchase orders prior to incurring any obligations on behalf of the Village. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Response: We agree with the Auditor's recommendation and will implement it immediately.

VILLAGE OF FAIRVIEW, GUERNSEY COUNTY
Schedule of Findings (continued)
December 31, 2004 and 2003

COMPLIANCE FINDINGS

Finding Number 2004-03 – Expenditures in Excess of Appropriations

Statement of Condition: Ohio Revised Code Section 5705.41 (B) prohibits a subdivision or taxing authority from expending money unless it has been approved.

During the year ending December 31, 2003, the General Fund had expenditures which exceeded appropriations by \$758 and the Cemetery Trust Fund had expenditures which exceeded appropriations by \$5,000.

The Clerk should deny payment requests exceeding appropriations, as required by Ohio Revised Code Section 5705.41 (B).

Recommendation: We recommend that the Village Council and Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

Response: We agree with the Auditor's recommendation and will implement it immediately.

Finding Number 2004-04 – Failure to Post Debt Proceeds

Statement of Condition: The Village borrowed \$4,500 as part of a capitalized lease during 2003 for the purpose of purchasing equipment. Payment was made directly to the vendor. The Village's records reflected neither the proceeds of the obligation as revenue nor the purchase of the equipment as an expenditure. As a result, receipts and disbursements were understated in 2003. Adjustments with which Village management agreed have been made to the 2003 financial statement to properly reflect the proceeds and capital outlay expenditure.

Recommendation: We recommend that the Village properly recognize the revenue and expenditures associated with debt issuance and equipment purchases.

Response: We agree with the Auditor's recommendation and will properly record future debt issuance transactions.

VILLAGE OF FAIRVIEW, GUERNSEY COUNTY
Schedule of Prior Audit Findings
December 31, 2004 and 2003

Finding Number 2002-001

Finding Summary: Expenditures exceeded appropriations in various funds during 2001 and 2002.

Finding Status: Reissued as current period Finding Number 2004-03.

Finding Number 2002-002

Finding Summary: The Village did not post encumbrances to the appropriations ledgers or estimated receipts to the receipts ledger.

Finding Status: Reissued as current period Finding Number 2004-01.

Finding Number 2002-003

Finding Summary: The Village did not use purchase orders to certify funds.

Finding Status: The Village used purchase orders on a limited basis in the current period. Reissued as Finding Number 2004-02.

Finding Number 2002-004

Finding Summary: The Village did not obtain amended certificates of estimated revenue when necessary.

Finding Status: Corrected. Certificates of estimated revenue were proper in 2003 and 2004.



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VILLAGE OF FAIRVIEW

GUERNSEY 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 7, 2006**