

***VILLAGE OF NORTH FAIRFIELD
HURON COUNTY***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Village Council
Village of North Fairfield
3 East Main Street
North Fairfield, Ohio 44855

We have reviewed the *Report of Independent Accountants* of the Village of North Fairfield, Huron County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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 *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State 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 North Fairfield is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

October 9, 2006

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VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 and 2004

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of North Fairfield
Huron County
3 East Main Street
North Fairfield, Ohio 44855-9522

We have audited the accompanying financial statements of the Village of North Fairfield (Village), Huron County, Ohio as and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. 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 Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require 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 Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its 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 years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years 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 North Fairfield, Huron County as of December 31, 2005 and 2004, 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 Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village 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 August 4, 2006, 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, 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 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.

Charles E. Harris & Associates, Inc.
August 4, 2006

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2005**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 21,560	-	\$ 21,560
Intergovernmental	54,533	\$ 26,218	80,751
Charges for Services	19,915	-	19,915
Fines, Licences, and Permits	2,408	-	2,408
Earnings on Investments	4,225	1,256	5,481
Total Cash Receipts	102,641	27,474	130,115
Cash Disbursements:			
Security of Persons and Property	4,349	-	4,349
Public Health Services	293	-	293
Leisure Time Activities	5,245	-	5,245
Community Environment	1,489	-	1,489
Basic Utility Services	20,237	-	20,237
Transportation	-	13,336	13,336
General Government	63,894	14,422	78,316
Total Cash Disbursements	95,507	27,758	123,265
Cash Receipts Over/(Under) Cash Disbursements	7,134	(284)	6,850
Other Financing Sources/ Uses:			
Other Financing Sources	4,768	-	4,768
Total Other Financing Sources/ Uses	4,768	-	4,768
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	11,902	(284)	11,618
Fund Balance, January 1, 2005	82,156	43,016	125,172
Fund Balance, December 31, 2005	\$ 94,058	\$ 42,732	\$ 136,790

See accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES
For the Year Ended December 31, 2005**

	Proprietary Fund Type Enterprise
Cash Receipts:	
Charges for Services	\$ 28,429
Total Cash Receipts	28,429
Cash Disbursements:	
Personal Services	18,260
Fringe Benefits	289
Contractual Services	5,380
Materials and Supplies	10,426
Total Cash Disbursements	34,355
Cash Receipts Over/(Under) Cash Disbursements	(5,926)
Non-Operating Disbursements	
Debt Service:	
Principal	(300)
Total Non-Operating Disbursements	(300)
Net Cash Receipts Over/(Under) Cash Disbursements	(6,226)
Fund Balance, January 1, 2005	46,520
Fund Balance, December 31, 2005	\$ 40,294

See accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO
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>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 20,267	-	\$ 20,267
Intergovernmental	54,655	\$ 23,012	77,667
Charges for Services	17,844	-	17,844
Fines, Licences, and Permits	2,519	-	2,519
Earnings on Investments	1,469	-	1,469
Total Cash Receipts	96,754	23,012	119,766
Cash Disbursements:			
Security of Persons and Property	6,290	-	6,290
Public Health Services	302	-	302
Leisure Time Activities	16,620	-	16,620
Community Environment	3,394	-	3,394
Basic Utility Services	19,067	-	19,067
Transportation	-	14,784	14,784
General Government	69,724	15,115	84,839
Total Cash Disbursements	115,397	29,899	145,296
Cash Receipts Over/(Under) Cash Disbursements	(18,643)	(6,887)	(25,530)
Other Financing Sources/ Uses:			
Other Financing Sources	3,674	-	3,674
Total Other Financing Sources/ Uses	3,674	-	3,674
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(14,969)	(6,887)	(21,856)
Fund Balance, January 1, 2004	97,125	49,903	147,028
Fund Balance, December 31, 2004	\$ 82,156	\$ 43,016	\$ 125,172

See accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES
For the Year Ended December 31, 2004**

	Proprietary Fund Type Enterprise
Cash Receipts:	
Charges for Services	\$ 30,004
Total Cash Receipts	30,004
Cash Disbursements:	
Personal Services	19,148
Fringe Benefits	294
Contractual Services	4,647
Materials and Supplies	5,955
Other	82
Total Cash Disbursements	30,126
Cash Receipts Over/(Under) Cash Disbursements	(122)
Non-Operating Disbursements	
Debt Service:	
Principal	(300)
Total Non-Operating Disbursements	(300)
Net Cash Receipts Over/(Under) Cash Disbursements	(422)
Fund Balance, January 1, 2004	46,942
Fund Balance, December 31, 2004	\$ 46,520

See accompanying Notes to the Financial Statements.

VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of North Fairfield, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides water utilities and trash removal services. The Village contracts with Fairfield Township to provide fire protection services. Also, the Village contracts with the Huron County Sheriff's Department for police protection.

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

B. **BASIS OF ACCOUNTING**

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

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

C. **INVESTMENTS AND INACTIVE FUNDS**

The Village maintains cash in an interest-bearing checking account. The Village invests in an overnight repurchase agreement.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains and losses at the time of the sale are recorded as receipts or disbursements, respectively.

D. **FUND ACCOUNTING**

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

1. **General Fund**

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

VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Fund:

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

3. Enterprise Funds

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

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

E. BUDGETARY PROCESS

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled.

VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS – (continued)

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

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>2005</u>	<u>2004</u>
Demand Deposits	\$ (7,584)	\$ (906)
Repurchase Agreements	184,668	172,598
Total	<u>\$ 177,084</u>	<u>\$ 171,692</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

The negative cash balances in the 2004 and 2005 demand deposits are due to the Village investing in overnight repurchase agreements.

**VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 is as follows:

2005 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 87,292	\$ 107,409	\$ 20,117
Special Revenue	22,940	27,474	4,534
Enterprise	29,990	28,429	(1,561)
Total	\$ 140,222	\$ 163,312	\$ 23,090

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 169,413	\$ 95,507	\$ 73,906
Special Revenue	65,931	27,758	38,173
Enterprise	76,465	34,655	41,810
Total	\$ 311,809	\$ 157,920	\$ 153,889

2004 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 108,411	\$ 100,428	\$ (7,983)
Special Revenue	24,748	23,012	(1,736)
Enterprise	29,677	30,004	327
Total	\$ 162,836	\$ 153,444	\$ (9,392)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 205,536	\$ 115,397	\$ 90,139
Special Revenue	74,263	29,899	44,364
Enterprise	76,619	30,426	46,193
Total	\$ 356,418	\$ 175,722	\$ 180,696

VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

6. DEBT

The Village had a \$1,500 interest-free Ohio Water Development Authority (OWDA) loan outstanding at December 31, 2005. The loan is being used to assist with the costs of a feasibility study for a new wastewater treatment system. The loan was obtained in April 1999. The Village plans to repay the loan from the water fund.

Amortization of the above debt is scheduled as follows:

<u>Year Ending December 31</u>	<u>OWDA Loan</u>
2006	\$ 300
2007	300
2008	300
2009	300
2010	300
Total	<u>\$ 1,500</u>

VILLAGE OF NORTH FAIRFIELD
HURON COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

7. RISK MANAGEMENT

Risk Pool Membership

The District belongs to the Public Entities Pool of Ohio ("PEP"), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance 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 members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, 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 \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from 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

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

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 government.

Financial Position

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

	<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets		\$29,719,675	\$27,437,169
Liabilities		<u>(15,994,168)</u>	<u>(13,880,038)</u>
Net Assets		<u>\$13,725,507</u>	<u>\$13,557,131</u>

	<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets		\$4,443,332	\$3,648,272
Liabilities		<u>(1,068,245)</u>	<u>(540,073)</u>
Net Assets		<u>\$3,375,087</u>	<u>\$3,108,199</u>

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no material pending claims or lawsuits.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members
of Village Council
Village of North Fairfield
North Fairfield, Ohio

We have audited the financial statements of the Village of North Fairfield, Huron County, Ohio (Village) as of and for the years ended December 31, 2005 & 2004, and have issued our report thereon dated August 4, 2006, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 4, 2006.

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, grant agreements and other matters, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Charles E. Harris and Associates, Inc.

August 4, 2006

STATUS OF PRIOR YEARS' CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending December 31, 2003 and 2002, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

VILLAGE OF NORTH FAIRFIELD

HURON 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
OCTOBER 19, 2006**