

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY
Regular Audit
December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

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 Perry & Associates, Certified Public Accountants, A.C. for the audit period January 1, 2005 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 1, 2008

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**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

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Perry & Associates
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INDEPENDENT ACCOUNTANTS' REPORT

February 8, 2008

Village of Fairview
Guernsey County
PO 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, 2006 and 2005. 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 our audit provides a reasonable basis for our opinion.

The accompanying financial statements present receipts and disbursements by fund type totals only in 2006. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately. While the Village 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 Village has elected not to reformat its statements. Since the Village 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 years ended December 31, 2006 and 2005 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, 2006 and 2005 or their changes in financial position for the year then ended.

Also, in our opinion, except for the omission of receipt and disbursement classifications in 2006, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances for the Village of Fairview, Guernsey County, as of December 31, 2006 and 2005, and its combined unclassified cash receipts and unclassified disbursements 2006 and its combined cash receipts and disbursements for 2005 on the basis of accounting described in Note 1.

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, 2006 and 2005. 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 February 8, 2008, 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. 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.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**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, 2006**

| | <u>Governmental Fund Types</u> | | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|-------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | |
| Cash Receipts | \$ 13,039 | \$ 3,985 | \$ 161 | \$ 17,185 |
| Total Cash Receipts | <u>13,039</u> | <u>3,985</u> | <u>161</u> | <u>17,185</u> |
| Cash Disbursements: | | | | |
| Cash Disbursements | <u>12,519</u> | <u>5,275</u> | <u>-</u> | <u>17,794</u> |
| Total Cash Disbursements | <u>12,519</u> | <u>5,275</u> | <u>-</u> | <u>17,794</u> |
| Total Cash Receipts Over/(Under) Disbursements | <u>520</u> | <u>(1,290)</u> | <u>161</u> | <u>(609)</u> |
| Fund Cash Balances, January 1 | <u>7,800</u> | <u>12,653</u> | <u>10,603</u> | <u>31,056</u> |
| Fund Cash Balances, December 31 | <u>\$ 8,320</u> | <u>\$ 11,363</u> | <u>\$ 10,764</u> | <u>\$ 30,447</u> |

The accompanying notes to the basic financial statements are an integral part of these statements

**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, 2005**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Local Taxes | \$ 3,292 | \$ 1,267 | \$ 4,559 |
| Intergovernmental | 6,737 | 3,969 | 10,706 |
| Charges for Services | - | 3,300 | 3,300 |
| Earnings on Investments | 29 | - | 29 |
| Other Revenue | 9,150 | 596 | 9,746 |
| | <u>19,208</u> | <u>9,132</u> | <u>28,340</u> |
| Total Cash Receipts | | | |
| | <u>19,208</u> | <u>9,132</u> | <u>28,340</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 11,082 | - | 11,082 |
| Security of Persons and Property | 3,388 | - | 3,388 |
| Health | 6 | 3,015 | 3,021 |
| Basic Utility Services | 192 | - | 192 |
| Transportation | - | 1,972 | 1,972 |
| Debt Service: | | | |
| Redemption of Principal | 1,081 | - | 1,081 |
| Interest and Other Fiscal Charges | 265 | - | 265 |
| | <u>16,014</u> | <u>4,987</u> | <u>21,001</u> |
| Total Cash Disbursements | | | |
| | <u>16,014</u> | <u>4,987</u> | <u>21,001</u> |
| Total Cash Receipts Over/(Under) Disbursements | <u>3,194</u> | <u>4,145</u> | <u>7,339</u> |
| Fund Cash Balances, January 1 | <u>4,606</u> | <u>8,508</u> | <u>13,114</u> |
| Fund Cash Balances, December 31 | <u><u>\$ 7,800</u></u> | <u><u>\$ 12,653</u></u> | <u><u>\$ 20,453</u></u> |

See accompanying notes to the basic financial statements

**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, 2005**

| | <u>Fiduciary Fund Type Non- Expendable Trust</u> |
|--|---|
| Cash Receipts: | |
| Earnings on Investments | \$ <u>124</u> |
| Total Cash Receipts | <u>124</u> |
| Cash Disbursements: | |
| Total Cash Disbursements | <u>-</u> |
| Total Cash Receipts Over/(Under) Disbursements | <u>124</u> |
| Fund Cash Balances, January 1 | <u>10,479</u> |
| Fund Cash Balances, December 31 | <u><u>\$ 10,603</u></u> |

See accompanying notes to the basic financial statements

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Fairview, Guernsey County (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 and Mayor. The Village provides general government services, road and bridge maintenance, cemetery maintenance, and fire protection services.

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).

The Village did not classify its receipts and disbursements in the accompanying financial statements in the year 2006. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A) (effective July 1, 2000). These Ohio Administrative Code Sections require classifying receipts and disbursements.

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

C. Cash and Investments

Certificates of deposit are valued at cost.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Village uses fund accounting to maintain its financial records. The Village classifies its funds into the following types:

1. 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.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle license 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.

3. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

Cemetery Trust Fund - This fund is used for the maintenance of the cemetery.

In accordance with GASB 34, beginning January 1, 2006, activities of the Township's own programs may no longer be reported in a fiduciary fund, they must be reclassified as part of the governmental fund category. Thus the fiduciary fund type noted above has been eliminated for 2006 presentation purposes and the activity is now being classified as a governmental fund as a permanent fund type.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and 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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made, the Village did not encumber all commitments, as required by Ohio law. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 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.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH

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>2006</u> | <u>2005</u> |
|------------------------|------------------------|------------------------|
| Demand Deposits | \$ 18,504 | \$19,113 |
| Certificate of Deposit | <u>11,943</u> | <u>11,943</u> |
| Total | <u><u>\$30,447</u></u> | <u><u>\$31,056</u></u> |

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

| 2006 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 10,492 | \$ 13,039 | \$ 2,547 |
| Special Revenue | 3,297 | 3,985 | 688 |
| Permanent | - | 161 | 161 |
| Total | \$ 13,789 | \$ 17,185 | \$ 3,396 |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 18,290 | \$ 12,519 | \$ 5,771 |
| Special Revenue | 15,911 | 5,275 | 10,636 |
| Permanent | 602 | - | 602 |
| Total | \$ 34,803 | \$ 17,794 | \$ 17,009 |

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 10,239 | \$ 19,208 | \$ 8,969 |
| Special Revenue | 4,998 | 9,132 | 4,134 |
| Non-Expendable Trust | - | 124 | 124 |
| Total | \$ 15,237 | \$ 28,464 | \$ 13,227 |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 14,844 | \$ 16,014 | \$ (1,170) |
| Special Revenue | 13,450 | 4,987 | 8,463 |
| Permanent | 478 | - | 478 |
| Total | \$ 28,772 | \$ 21,001 | \$ 7,771 |

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to ORC Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 80% of expenditures tested during 2006 and 23% of expenditures testing during 2005.

Contrary to ORC Section 5705.41 (B) the General Fund had expenditures exceeding appropriations in 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which Village Council adopts rates. 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 payment, 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 by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------|------------------|----------------------|
| Capital Lease Obligation | <u>1,251</u> | 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.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT (Continued)

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

| Year Ending December 31: | Backhoe |
|-----------------------------|---------|
| 2007 | 1,345 |

6. RISK POOL MEMBERSHIP

The Village is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP may make supplemental premiums. The following risks are covered by PEP:

- General liability and casualty;
- Employee benefit liability
- Automobile liability

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). The Village pays an annual contribution 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 year. Governments can elect additional coverage from \$2,000,000 with General Reinsurance Corporation, through contracts with PEP. 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

Beginning in 2005, Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

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 Village. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005:

| <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> |
| Retained earnings | \$13,725,507 | \$13,557,131 |

| <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> |
| Retained earnings | \$3,375,087 | \$3,108,199 |

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment.

Perry & Associates
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

February 8, 2008

Village of Fairview
PO Box 74
Fairview, Ohio 43736

To the Village Council:

We have audited the financial statements of **Village of Fairview, Guernsey County**, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated February 8, 2008, which was qualified for 2006 since the Village did not classify receipts and disbursements in the financial statements and wherein we noted the Village followed 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 the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting 2006-001 through 2006-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2006-001 thru 2006-002 and 2006-005 thru 2006-006 described above are 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, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2006-001 through 2006-004.

In a separate letter to the Village's management dated February 8, 2008, we reported other matters related to noncompliance we deemed immaterial.

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

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance Citation/Significant Deficiency/Material Weakness

Ohio Revised Code § 733.28 requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. In addition Ohio Administrative Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village maintained a cash journal, a receipt ledger and an appropriation ledger during the audit period. The cash journal, receipt and appropriation ledgers were not posted accurately and completely.

We recommend the Village Clerk review the requirements of Ohio Rev. Code Section 733.28, Ohio Administrative Code Section 117-2-02(A), and the Village Officer's Handbook as guidance in preparing and maintaining the required accounting records. These resources can be found on the Auditor of State's website at www.auditor.state.oh.us/LocalGovernment/.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-002

Noncompliance Citation/Significant Deficiency/Material Weakness

Ohio Rev. Code Section 9.38 states public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

The Village did not post deposits on a regular basis in 2006. The Clerk deposited checks in December that were received in February, March, April, and May of 2006.

We recommend the Village take steps to ensure deposits are made timely as required by Ohio Rev. Code. In addition, the Village could adopt the above-mentioned policy to allow deposits of less than \$1,000 to be deposited within three business days.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2005-003

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting 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. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 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 taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2006-003 (Continued)

Noncompliance Citation/Significant Deficiency (Continued)

The Village did not properly certify the availability of funds prior to purchase commitment for 23% of the expenditures tested during 2005 and 80% of expenditures tested in 2006. There was no evidence that the Village followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-004

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

During the year ending December 31, 2005, the General Fund had expenditures which exceeded appropriations.

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

We recommend the Village Clerk modify appropriations with the Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Township Clerk should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-005

Significant Deficiency/Material Weakness

Cash Reconciliations

During 2006, the clerk did not reconcile the end of the month bank balance to the end of the month cash balance per the Village's records.

We recommend the Clerk reconcile the end of the month bank balance to the Village's end of the month cash balance per the Cash Journal. We recommend the Clerk perform this reconciliation on the bank statement and include this reconciliation as part of the financial report the Council approves each month.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-006

Significant Deficiency/Material Weakness

Posting Estimated Revenues and Appropriations

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated posted to the manual ledgers.

This resulted in incorrect amounts posted to the manual ledgers and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the manual ledger and reconciled to the amounts approved by the budget commission after each amendment.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

| | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------|---|------------------|---|
| 2004-001 | ORC Section 117-2-02(A) requires all public offices to maintain sufficient accounting records. | No | Not Corrected, Repeated as finding 2006-001 |
| 2004-002 | ORC Section 5705.41(D) – Prohibits a subdivision or taxing authority from expending money unless a certificate signed by the clerk is attached thereto. | No | Not Corrected, Repeated as finding 2006-003 |
| 2004-003 | ORC Section 5705.41(B) – Prohibits a subdivision or taxing authority from expending money unless it has been properly appropriated. | No | Not Corrected, Repeated as finding 2006-004 |
| 2004-004 | Failure to Post Debt Proceeds – states that the Village didn't post debt expenditures correctly | Yes | N/A |



Mary Taylor, CPA
Auditor of State

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
APRIL 15, 2008**