

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY
Regular Audit
December 31, 2008 and 2007**



Mary Taylor, CPA

Auditor of State

Village Council
Village of Fairview
P.O. 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, 2007 through December 31, 2008. 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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 Fairview is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 20, 2009

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**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	4
Notes to the Financial Statements	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Audit Findings	15
Schedule of Prior Audit Findings	23

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INDEPENDENT ACCOUNTANTS' REPORT

September 17, 2009

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, 2008 and 2007. 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.

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village'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 GAAP presentation requirements. The Auditor of the State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2008 and 2007 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, 2008 and 2007 or their 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 for the Village of Fairview, Guernsey County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 September 17, 2009, 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,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Local Taxes	\$ 2,608	\$ 997	\$ -	\$ 3,605
Intergovernmental	3,974	4,882	-	8,856
Charges for Services	-	3,885	700	4,585
Earnings on Investments	80	-	298	378
Other Revenue	4,224	612	-	4,836
	<u>10,886</u>	<u>10,376</u>	<u>998</u>	<u>22,260</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	14,884	69	-	14,953
Security of Persons and Property	1,494	-	-	1,494
Health	-	6,066	-	6,066
Basic Utility Services	487	-	-	487
Transportation	-	8,345	-	8,345
	<u>16,865</u>	<u>14,480</u>	<u>-</u>	<u>31,345</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Disbursements	<u>(5,979)</u>	<u>(4,104)</u>	<u>998</u>	<u>(9,085)</u>
Fund Cash Balances, January 1	<u>9,592</u>	<u>12,972</u>	<u>11,006</u>	<u>33,570</u>
Fund Cash Balances, December 31	<u>\$ 3,613</u>	<u>\$ 8,868</u>	<u>\$ 12,004</u>	<u>\$ 24,485</u>

The accompanying notes to the 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, 2007**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Local Taxes	\$ 3,213	\$ 1,216	\$ -	\$ 4,429
Intergovernmental	3,599	6,354	-	9,953
Charges for Services	-	2,600	-	2,600
Earnings on Investments	93	-	242	335
Other Revenue	4,694	173	-	4,867
	<u>11,599</u>	<u>10,343</u>	<u>242</u>	<u>22,184</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	8,117	-	-	8,117
Security of Persons and Property	410	-	-	410
Health	-	4,439	-	4,439
Basic Utility Services	454	-	-	454
Transportation	-	4,295	-	4,295
Debt Service:				
Redemption of Principal	1,251	-	-	1,251
Interest and Other Fiscal Charges	95	-	-	95
	<u>10,327</u>	<u>8,734</u>	<u>-</u>	<u>19,061</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Disbursements	<u>1,272</u>	<u>1,609</u>	<u>242</u>	<u>3,123</u>
Fund Cash Balances, January 1	<u>8,320</u>	<u>11,363</u>	<u>10,764</u>	<u>30,447</u>
Fund Cash Balances, December 31	<u><u>\$ 9,592</u></u>	<u><u>\$ 12,972</u></u>	<u><u>\$ 11,006</u></u>	<u><u>\$ 33,570</u></u>

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

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 appointed Village Fiscal Officer and elected 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).

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.

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.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Cemetery Trust Fund - This fund receives interest earned on the nonexpendable corpus from a trust fund. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. Contrary to Ohio Rev. Code, the Village did not prepare estimated resources or appropriations for 2007.

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. 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.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2008 and 2007 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.

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>2008</u>	<u>2007</u>
Cash on Hand	\$ -	\$ 9,941
Demand Deposits	12,542	11,686
Certificate of Deposit	<u>11,943</u>	<u>11,943</u>
Total	<u>\$ 24,485</u>	<u>\$ 33,570</u>

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool with the exception of the cash on hand in 2007. This amount is uncollateralized.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 15,980	\$ 10,886	\$ (5,094)
Special Revenue	10,254	10,376	122
Permanent	467	998	531
Total	\$ 26,701	\$ 22,260	\$ (4,441)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 19,910	\$ 16,865	\$ 3,045
Special Revenue	19,149	14,480	4,669
Permanent	1,268	-	1,268
Total	\$ 40,327	\$ 31,345	\$ 8,982

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 11,599	\$ 11,599
Special Revenue	-	10,343	10,343
Permanent	-	242	242
Total	\$ -	\$ 22,184	\$ 22,184

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 10,327	\$ (10,327)
Special Revenue	-	8,734	(8,734)
Permanent	-	-	-
Total	\$ -	\$ 19,061	\$ (19,061)

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to ORC Section 5705.36 for 2007 the Village did not certify to the county auditor the total amount from all sources available for expenditure.

Contrary to ORC Section 5705.38(A) the Village did not pass an appropriations measure for 2007.

Contrary to ORC Section 5705.41(B) for 2007 the Village expended more than appropriated in all funds since no appropriation measure was passed by the legislative authority.

Contrary to ORC Section 5705.41(D), the certification of availability of unencumbered appropriations for expenditure was not obtained during 2008 and 2007.

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. RETIREMENT SYSTEMS

The Village has no employees. The elected officials pay into the Social Security system.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

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 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.

The following risks are covered by PEP:

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

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 \$12,000,000 with General Reinsurance Corporation, through contracts with PEP. If losses exhaust PEP's net assets, APEEP covers PEP retained casualty risk up to \$10,000,000 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 in any one occurrence. APEEP reinsures members for property losses exceeding \$100,000 up to \$250,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600 million per occurrence.

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. 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.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20086 AND 2007
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

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, 2007 and 2006 (the most recent years available):

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	\$20,219,246	\$19,384,290

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

September 17, 2009

Village of Fairview
Guernsey County
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, 2008 and 2007, and have issued our report thereon dated September 17, 2009, 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; 2008-001 through 2008-013.

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 2008-001 thru 2008-0003, 2008-010 and 2008-012 described above are material weaknesses.

In a separate letter to the Village's management dated September 17, 2009, we reported another internal control issue we deemed immaterial.

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 2008-001 through 2008-009 and 2008-013.

In a separate letter to the Village's management dated September 17, 2009, 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, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation/Significant Deficiency/Material Weakness

Internal Revenue Code (IRC) 26 U.S.C. §3401 through §3406 provide regulations regarding collection of income tax at the source on wages. §3402 deals with withholding of income tax from wages and §3403 deals with employers liable for payment of the tax deducted and withheld. In addition, 26 U.S.C. §3102(a) deals with deduction of Medicare tax from wages.

We noted several instances of non-compliance related to payroll withholding. We were unable to determine if the proper amount of federal income tax and Medicare were withheld for employees in 2007 and for the one employee in 2008 as no payroll registers were prepared. We also noted the W-2's prepared for 2007 did not relate to the actual, or possible, payroll for the employees. There was no evidence of submission of the W-2's to the IRS as no W-3 form could be located for the year and the W-2's were prepared by hand. We understand the Village is in the process of filing the necessary forms with the IRS.

We recommend management establish a process for review and approval of all payroll information including semi-annual review of the payroll registers, the annual filing and submission of taxes withheld, and the annual filing of W-2's and the corresponding 1096 form.

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

FINDING NUMBER 2008-002

Noncompliance Citation/Significant Deficiency/Material Weakness

Ohio Rev. Code Section 9.38 states that monies should be deposited with the Village Fiscal Officer or designated depository within 24 hours of collection. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

Many receipts for 2007 were not deposited with the designated depository for several months. Many of the receipts for the year were deposited in December. Additional receipts were located and deposited in May of 2008. Delays of this nature could cause Village daily receipts to be lost or misplaced and not be recorded in the books of the Village.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-002 (Continued)

Council should take appropriate steps to ensure all receipts are deposited to the bank in a timely manner. This could include passage of an ordinance, resolution or policy indicating all funds should be deposited in the Village's financial institution within 24 hours. In addition, the Council or Finance Committee should review the receipts journal and the bank statement monthly to determine if the amount of receipts match and are reasonable based on known sources of revenue for the Village.

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

FINDING NUMBER 2008-003

Noncompliance Citation/Significant Deficiency/Material Weakness

Ohio Revised Code § 733.28 requires the Village Fiscal Officer 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 required by rule 117-2-03 of the Administrative Code. Such records should include a cash journal, receipts ledger, appropriation ledger, payroll journals, quarterly payroll records, and vouchers. Also, all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances. Ohio Admin. Code Section 117-2-02 (D)(4)(a) requires all local public offices to maintain payroll records including: (1) W-2's, W-4's and other withholding records and authorizations; (2) a payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee, and the fund and account charged for the payments; and (3) a check register that includes, in numerical sequence, the check number, payee, net amount, and the date.

The Village could not provide a receipts ledger, appropriations ledger, payroll journals or quarterly payroll records for 2007. In addition, the new Fiscal Officer had to reconstruct the 2007 cash journal from bank statements. The Village does not track the budgetary information in the manual accounting system.

By not having information available to determine how receipts and expenditures compare to budget the Village will not be able to determine when estimated resources or appropriations will need to be modified. Encumbrances are not integrated so the Village Fiscal Officer is not able to determine if funds are available free of prior encumbrances.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-003 (Continued)

We recommend the Village Fiscal Officer 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.

We also recommend the Village consider upgrading the financial reporting function to a computerized system that integrates all the required reports and the budgetary functions. If this is not practical, the Village will need to establish a process to make sure the appropriate records are maintained and to incorporate the necessary budgetary information into those records.

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

FINDING NUMBER 2008-004

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.34 states each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st (April 1 for school districts), unless a later date is approved by the tax commissioner.

The Village did not pass a resolution authorizing the necessary tax levies and did not certify the levies to the County Auditor for 2007. The County Auditor does not have authority to collect levy monies until the Village has certified the rates and amounts. As a result of the late filings, the Village's collection of tax levy revenues for the 2008 fiscal year could have been jeopardized.

The Village should ensure the necessary tax levies are formally approved and certified to the County Auditor timely. This will help ensure that monies generated from the Village's tax levies can be collected and available for the Village.

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, 2008 AND 2007**

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

FINDING NUMBER 2008-005

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.36 states on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

The Village Fiscal Officer did not certify the ending balances to the County as prescribed. The Official Certificate of Estimated Resources was not issued by the budget commission until May 20, 2008 for that year. No budgetary forms were filed for 2007.

By not completing this requirement the Village is missing a key control in ensuring there are enough funds available for Village expenses. This could cause the Village to make inappropriate decisions on how much money to spend and from what funds.

We recommend the Fiscal Officer prepare and submit the certification to the county auditor at the beginning of each year.

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

FINDING NUMBER 2008-006

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

No permanent appropriation measure was passed for 2007 and the 2008 measure was not passed until June 2, 2008. This could affect not only the legality of expenditures, but the control in place to make sure funds are available to meet the expenses of the Village.

We recommend Council pass the required appropriation measure by the April 1 deadline.

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, 2008 AND 2007**

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

FINDING NUMBER 2008-007

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.

The Village expended more than appropriated in 2007. Since there was no permanent appropriations measure in 2007 all expenditures for that year would constitute a violation of this code section.

We recommend Council pass the required appropriation measure and the Fiscal Officer verify the proper appropriation is available before incurring obligations that would cause expenditures to exceed appropriations. The Fiscal Officer 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.

FINDING NUMBER 2008-008

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.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-008 (Continued)

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.

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures tested during 2008 and 2007. In addition 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 Fiscal Officer 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.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-009

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5747.07(E) (1) in part states that every employer shall file, not later than the last day of the month following the end of each calendar quarter, a return covering, but not limited to, both the actual amount deducted and withheld and the amount required to be deducted and withheld for the tax imposed under this calendar during each partial weekly withholding period during the quarter.

State income taxes were withheld from the compensation of Village elected officials during 2007, but were not remitted to the state.

We recommend the Village Fiscal Officer contact the Ohio Department of Taxation to determine the procedures they need to follow to remit these income taxes.

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

FINDING NUMBER 2008-010

Significant Deficiency/Material Weakness

Controls over Financial Reporting

The Village does not have a review process in place to ensure the accuracy and completeness of the financial statements submitted to the Auditor of State. Without this control incorrect information could be submitted or, as in the case of 2007, no financial statements were even prepared. The 2007 information was eventually submitted in September 2008.

We noted that for 2007 and 2008 some of the information did not agree with the accounting records. Adjustments have been made to reclassify and adjust balances. These adjustments are reflected in the accompanying financial statements.

We recommend the financial statements be reviewed by a second person or the Finance Committee of the Village Council. This review and approval should be noted by the reviewer's signature on the submission or by mention in the council minutes.

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, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-011

Significant Deficiency

Complete Voucher Packages

The completed voucher packages should be the basis for the preparation of checks. The package should include the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of the goods or services and the accuracy of the quantity and price, and a copy of the requisition or purchase order to document the fiscal officer's prior certification that sufficient appropriations and resources were available to meet the obligation.

The Village did not always present complete voucher packages to support expenditures. 25% of tested transactions in 2007 and 30% of tested transactions in 2008 did not have adequate voucher packages. It was determined through alternative testing procedures that these expenditures were allowable and for a proper public purpose. However, this practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village's Officials.

We recommend that all expenditures be supported by complete voucher packages, including the completed voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the Fiscal Officer's prior certification and a copy of the check, to help insure that all Village expenditures are for goods or services received, properly approved, and for a proper public purpose.

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

FINDING NUMBER 2008-012

Significant Deficiency/Material Weakness

Controls over Payroll

The Village does not have a review process in place to ensure the accuracy and completeness of the payroll function including count of meetings to be paid, payroll registers, W-2's, W-3's and annual 944 reporting.

We noted W-2 amounts for 2007 could not be substantiated by either a payroll register or by a count of the meetings each person attended. We also noted there was no W-3 for 2007 so we could not verify the W-2's were even submitted to the IRS. The 944 report for 2007 was not completed and submitted until June 30, 2008. We also noted the 944 report for 2008 did not agree with the W-2's, W-3 or payroll register for that year. We did not find documentation of state withholdings being remitted for 2007. In addition we noted for 2007 that no official was paid in accordance with Village policies and in 2008 four employees were underpaid based on the number of council meetings attended.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-012 (Continued)

We recommend management establish a procedure to review the payroll function. This review could be done by a member of the Finance Committee of the Village Council or any other designated person. This review should be documented by the reviewer's signature a checklist or the forms reviewed.

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

FINDING NUMBER 2008-013

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not file the annual report with the Auditor of State for 2007 until September of 2008. No notification was placed in the newspaper.

We recommend the Annual Financial Report be compiled from the Village's accounting system and be submitted to the Auditor of State within 60 days of fiscal year end. A notification should then be placed in the local newspaper and documentation of the notification should be retained in the Village records.

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, 2008 AND 2007**

	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code § 733.28 requires the Village Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.	No	Not Corrected, Repeated as finding 2008-003
2006-002	Ohio Rev. Code Section 9.38 states public money must be deposited with the treasurer of the public office <i>or</i> to a designated depository on the business day following the day of receipt.	No	Not Corrected, Repeated as finding 2008-002
2006-003	ORC Section 5705.41(D) – Prohibits a subdivision or taxing authority from expending money unless a certificate signed by the Fiscal Officer is attached thereto.	No	Not Corrected, Repeated as finding 2008-008
2006-004	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 2008-007
2006-005	During 2006, the Fiscal Officer did not reconcile the end of the month bank balance to the end of the month cash balance per the Village’s records.	No	Partially Corrected – no evidence of reconciliations for 2007. Reconciliations done in 2008 beginning in May with hire of different Fiscal Officer.
2006-006	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.	No	Replaced with finding 2008-003.



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
NOVEMBER 5, 2009**