



Dave Yost • Auditor of State



VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Fairview  
Guernsey County  
290 Fair Avenue  
Quaker City, Ohio 43773

To the Village Council:

### ***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements and related notes of the Village of Fairview, Guernsey County, Ohio (the Village), as of December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

The Village's management did not provide written representations regarding the financial statements and Village activity for the audit period.

### ***Disclaimer of Opinion***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on these financial statements.

### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 7, 2017

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$2,528	\$908	\$0	\$0	\$3,436
Intergovernmental	2,860	3,876	599	0	7,335
Rent	3,500	0	0	0	3,500
Charges for Services	0	2,900	0	400	3,300
Earnings on Investments	0	0	0	41	41
Miscellaneous	2,052	0	0	0	2,052
<i>Total Cash Receipts</i>	<u>10,940</u>	<u>7,684</u>	<u>599</u>	<u>441</u>	<u>19,664</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	1,911	0	0	0	1,911
Public Health Services	0	5,262	0	0	5,262
Basic Utility Services	1,164	0	0	0	1,164
Transportation	0	3,991	0	0	3,991
General Government	11,314	0	0	0	11,314
Capital Outlay	7,000	0	1,001	0	8,001
<i>Total Cash Disbursements</i>	<u>21,389</u>	<u>9,253</u>	<u>1,001</u>	<u>0</u>	<u>31,643</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,449)</u>	<u>(1,569)</u>	<u>(402)</u>	<u>441</u>	<u>(11,979)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	0	2,000	0	0	2,000
Transfers Out	(2,000)	0	0	0	(2,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,000)</u>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(12,449)</u>	<u>431</u>	<u>(402)</u>	<u>441</u>	<u>(11,979)</u>
<i>Fund Cash Balances, January 1</i>	<u>51,239</u>	<u>9,728</u>	<u>948</u>	<u>14,626</u>	<u>76,541</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	10,000	10,000
Restricted	0	10,159	546	0	10,705
Assigned	37,722	0	0	0	37,722
Unassigned (Deficit)	1,068	0	0	5,067	6,135
<i>Fund Cash Balances, December 31</i>	<u>\$38,790</u>	<u>\$10,159</u>	<u>\$546</u>	<u>\$15,067</u>	<u>\$64,562</u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$2,197	\$897	\$0	\$0	\$3,094
Intergovernmental	2,292	3,986	948	0	7,226
Rent	3,500	0	0	0	3,500
Charges for Services	0	1,600	0	400	2,000
Earnings on Investments	0	0	0	64	64
Miscellaneous	51,299	0	0	0	51,299
<i>Total Cash Receipts</i>	<u>59,288</u>	<u>6,483</u>	<u>948</u>	<u>464</u>	<u>67,183</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	1,787	0	0	0	1,787
Public Health Services	0	6,137	0	0	6,137
Capital Outlay	4,715	0	0	0	4,715
Basic Utility Services	1,001	0	0	0	1,001
Transportation	0	1,530	0	0	1,530
General Government	10,705	0	0	0	10,705
<i>Total Cash Disbursements</i>	<u>18,208</u>	<u>7,667</u>	<u>0</u>	<u>0</u>	<u>25,875</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>41,080</u>	<u>(1,184)</u>	<u>948</u>	<u>464</u>	<u>41,308</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>10,159</u>	<u>10,912</u>	<u>0</u>	<u>14,162</u>	<u>35,233</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	10,000	10,000
Restricted	0	9,728	948	4,626	15,302
Assigned	6,958	0	0	0	6,958
Unassigned (Deficit)	44,281	0	0	0	44,281
<i>Fund Cash Balances, December 31</i>	<u>\$51,239</u>	<u>\$9,728</u>	<u>\$948</u>	<u>\$14,626</u>	<u>\$76,541</u>

*The notes to the financial statements are an integral part of this statement.*



**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fairview, Guernsey County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides a recreational park and cemetery.

The Village participates in the Public Entities Pool of Ohio (PEP). Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits**

The Village values certificates of deposit at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Capital Project Fund**

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Village had the following significant capital project fund:

Issue I Fund - The Village received Issue I monies from Guernsey County to repair roads.

**4. Permanent Fund**

This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement for cemetery maintenance.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments.

**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 approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio Law.

A summary of 2014 and 2013 budgetary activity appears in Note 4.

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance**

Fund balance is divided into four classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**4. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS**

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

	2014	2013
Demand deposits	\$64,562	\$76,541

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**3. PRIOR PERIOD RESTATEMENT**

For the year ended December 31, 2012, an adjustment resulted in fund balance restatement.

Governmental Funds	Fund Balances at December 31, 2012	Restatement Amount	Fund Balances at January 1, 2013
General	\$10,602	(\$443)	\$10,159
Special Revenue	\$9,141	\$1,771	\$10,912
Cemetery Trust	\$14,712	(\$550)	\$14,162

The changes in fund balances for the General and Special Revenue Funds are the result of adjustments during prior audit not made by the Fiscal Officer.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,957	\$10,940	\$2,983
Special Revenue	5,423	9,684	4,261
Capital Projects	1,383	599	(784)
Fiduciary	71	441	370
Total	\$14,834	\$21,664	\$6,830

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,915	\$23,389	\$11,526
Special Revenue	10,691	9,253	1,438
Capital Projects	0	1,001	(1,001)
Fiduciary	5,086	0	5,086
Total	\$50,692	\$33,643	\$17,049

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,067	\$59,288	\$51,221
Special Revenue	5,087	6,483	1,396
Capital Projects	948	948	0
Fiduciary	68	464	396
Total	\$14,170	\$67,183	\$53,013

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$14,475	\$18,208	(\$3,733)
Special Revenue	14,526	7,667	6,859
Capital Projects	971	0	971
Fiduciary	5,118	0	5,118
Total	\$35,090	\$25,875	\$9,215

Contrary to Ohio Rev. Code § 5705.41(B), the Village had expenditures that exceeded appropriations during 2014 and 2013.

**5. PROPERTY TAX**

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

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

**6. RETIREMENT SYSTEM**

**Ohio Public Employees Retirement System**

None of the Village's elected employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. All of the Village's elected officials belong to the Social Security system. The Village had no employees during the audit period.

**7. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Government's share of these unpaid claims collectible in future years is approximately \$1,600

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$2,385	\$2,396

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal. Settlement amounts did not exceed insurance coverage for the past three fiscal years.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Fairview  
Guernsey County  
290 Fair Avenue  
Quaker City, Ohio 43773

To the Village Council:

We were engaged to audit in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements of the Village of Fairview, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated March 7, 2017, wherein we issued a disclaimer of opinion. We also noted the Village restated the 2013 financial statements.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2014-001 through 2014-004 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 and 2014-002.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 7, 2017

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 and 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

The Township's expenditures exceeded appropriations as of December 31, 2014 as follows:

<b>Fund</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
Cemetery	\$1,103	\$5,262	(\$4,159)
Issue II	\$0	\$1,001	(\$1,001)

Also, in 2013, the General Fund had expenditures exceeding appropriations in the amount of \$3,733.

As a result, excessive spending over budgetary could result in deficit fund balances.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2014-002**

**Noncompliance and Material Weakness**

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in § 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from 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 Village.

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 and 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-002 (Continued)**

**Noncompliance and Material Weakness - Ohio Rev. Code § 5705.41(D)(1) – (Continued)**

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
  
3. Super Blanket Certificate - The Village 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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly obtain the prior certification for 63% of 2014 and 28% of 2013 expenditures tested. We also noted the manually prepared 2014 Appropriation Ledger did not include account codes or purchase order numbers. In addition, the manually prepared 2013 Appropriation Ledge did not include account codes.

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.

The Village should obtain the Fiscal Officers certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2014-003**

**Material Weakness**

The prior Fiscal Officers prepared monthly bank reconciliations during the audit period; however there was no control for board oversight of these monthly bank reconciliations.

For the audit period, the monthly bank reconciliations included reconciling items that could not be explained or substantiated. The Village was declared unauditible and an Independent Public Accountant was hired to prepare a Proof of Cash for 2013 and 2014. The lack of proper oversight led to errors in the monthly reconciliation process that went undetected for an extended period of time.

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 and 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-003 (Continued)**

**Material Weakness (Continued)**

As part of the monthly reconciliation process, the Fiscal Officer should investigate the unidentified reconciling items timely and make the necessary adjustments to the books. Also, the monthly bank reconciliation should be approved by the Village Council at each meeting to provide proper oversight.

**FINDING NUMBER 2014-004**

**Material Weakness**

The Village's 2013 financial statements required the following adjustments:

- The prior Fiscal Officer did not post estimated revenues as approved by the Budget Commission to the Village's Receipt Ledger for 2013.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements and was codified as follows: GASB Cod. 1800.176 requires reporting year-end General Fund balances appropriated in the next fiscal year as Assigned. Also, GASB Cod. 1800.106 requires reporting amounts that cannot be spent as Nonexpendable.
- The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting the excess as assigned, in the amount of \$6,958. Also, the Village reported nonspendable funds as restricted instead of nonspendable, in the amount of \$10,000. Management made this adjustment to their financial statements.

The Village's 2014 financial statements required following adjustments:

- The prior Fiscal Officer posted the 2014 Homestead & Rollback receipts to the Taxes line item instead of Intergovernmental receipts line item. The misposting resulted in a reclassification in the General Fund in the amount of \$914. The reclassification was posted to the 2014 financial statements.
- We found the Fiscal Officer did not post estimated revenues as approved by the Budget Commission to the Village's Receipt Ledger for 2014.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements and was codified as follows: GASB Cod. 1800.176 requires reporting year-end General Fund balances appropriated in the next fiscal year as Assigned. Also, GASB Cod. 1800.106 requires reporting amounts that cannot be spent as Nonexpendable.
- The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting the excess as assigned, in the amount of \$37,722. Also, the Village reported nonspendable funds as restricted instead of nonspendable, in the amount of \$10,000. Management made this adjustment to their financial statements.

VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 and 2013  
(Continued)

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

FINDING NUMBER 2014-004 (Continued)

**Material Weakness (Continued)**

The adjustment and reclassification errors were due to limited oversight by management.

The Fiscal Officer should refer to the Village Officer's Handbook for proper receipt classification and refer to Auditor of State Bulletin 2011-004 to ensure the Village's accounting system and year-end financial statements are properly reported.

**Officials' Response:** We did not receive a response from officials to the findings reported above.

**VILLAGE OF FAIRVIEW  
GUERNSEY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 and 2013**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2012-001	Ohio Rev. Code Section 5705.41(D). The Village did not properly certify the availability of funds.		Repeated as Finding Number 2014-004 due to no Corrective Action Taken.
2012-002	26 U.S.C Section 3403. The Village did not remit federal taxes timely.	Partial Corrective Action Taken.	Repeated in the Management Letter.
2012-003	The Village did not maintain a complete payroll register.	Corrective Action Taken and Finding is Fully Corrected.	
2012-004	The Village did not prepare accurate monthly bank reconciliations.		Repeated as Finding Number 2014-003 due to no Corrective Action Taken.

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# Dave Yost • 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  
MARCH 23, 2017