



Dave Yost • Auditor of State

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY
DECEMBER 31, 2016 AND 2015**

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VILLAGE OF FAIRVIEW
GUERNSEY COUNTY
DECEMBER 31, 2016 AND 2015

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fairview, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fairview, Guernsey County, Ohio, as of December 31, 2016 and 2015, and the respective changes in cash financial position and the respective budgetary comparison for the General; Street Construction, Maintenance, and Repair; and Cemetery Funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2015, the Village has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. Also, as described in Note 8 to the 2015 financial statements, the January 1, 2015 fund balances were restated due to the Village not posting adjustments from prior audit. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, 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.



Dave Yost
Auditor of State
Columbus, Ohio

May 31, 2018

Village of Fairview, Ohio
Guernsey County
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$59,259	\$735	\$59,994
<i>Total Assets</i>	<u>\$59,259</u>	<u>\$735</u>	<u>\$59,994</u>
Net Position			
Restricted for:			
Permanent Fund Purpose:			
Expendable	6,287	0	6,287
Nonexpendable	10,000	0	10,000
Other Purposes	17,768	0	17,768
Unrestricted	<u>25,204</u>	<u>735</u>	<u>25,939</u>
<i>Total Net Position</i>	<u>\$59,259</u>	<u>\$735</u>	<u>\$59,994</u>

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Current:			
Security of Persons and Property	\$6,875	\$0	\$0
Public Health Services	9,564	4,850	0
Basic Utility Services	0	3,570	0
Transportation	1,859	0	3,005
General Government	6,518	180	551
<i>Total Governmental Activities</i>	<u>24,816</u>	<u>8,600</u>	<u>3,556</u>
Business-Type Activities			
Sewer Operating	0	0	0
Sewer Improvement	602,962	0	0
<i>Total Business-Type Activities</i>	<u>602,962</u>	<u>0</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$627,778</u>	<u>\$8,600</u>	<u>\$3,556</u>

General Receipts:
Property Taxes Levied for:
 General Purposes
 Grants and Entitlements not Restricted to Specific Programs
 Other Debt Proceeds
 Earnings on Investments
 Miscellaneous

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$0	(\$6,875)	\$0	(\$6,875)
0	(4,714)	0	(4,714)
0	3,570	0	3,570
0	1,146	0	1,146
0	(5,787)	0	(5,787)
0	(12,660)	0	(12,660)
0	0	0	0
330,206	0	(272,756)	(272,756)
330,206	0	(272,756)	(272,756)
\$330,206	(12,660)	(272,756)	(285,416)
	3,651	0	3,651
	9,088	0	9,088
	0	272,756	272,756
	8	0	8
	2,269	735	3,004
	15,016	273,491	288,507
	2,356	735	3,091
	56,903	0	56,903
	\$59,259	\$735	\$59,994

Village of Farview, Ohio
 Guernsey County
 Statement of Assets and Fund Balances - Cash Basis
 Governmental Funds
 December 31, 2016

	General	Street Construction, Maintenance, and Repair	Cemetery	Permanent	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$25,204	\$10,006	\$5,921	\$16,287	\$1,841	\$59,259
<i>Total Assets</i>	<u>\$25,204</u>	<u>\$10,006</u>	<u>\$5,921</u>	<u>\$16,287</u>	<u>\$1,841</u>	<u>\$59,259</u>
Fund Balances						
Nonspendable	\$0	\$0	\$0	\$10,000	\$0	\$10,000
Restricted	0	10,006	5,921	6,287	1,841	24,055
Assigned	22,995	0	0	0	0	22,995
Unassigned (Deficit)	2,209	0	0	0	0	2,209
<i>Total Fund Balances</i>	<u>\$25,204</u>	<u>\$10,006</u>	<u>\$5,921</u>	<u>\$16,287</u>	<u>\$1,841</u>	<u>\$59,259</u>

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	General	Street Construction, Maintenance, and Repair	Cemetery	Permanent	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$2,682	\$0	\$926	\$0	\$0	\$3,608
Intergovernmental	8,038	4,612	0	0	161	12,811
Charges for Services	3,570	0	3,850	1,000	0	8,420
Fines, Licenses and Permits	0	56	0	0	0	56
Earnings on Investments	0	0	0	8	0	8
Miscellaneous	2,269	0	0	0	0	2,269
<i>Total Receipts</i>	<u>16,559</u>	<u>4,668</u>	<u>4,776</u>	<u>1,008</u>	<u>161</u>	<u>27,172</u>
Disbursements						
Current:						
Security of Persons and Property	6,875	0	0	0	0	6,875
Public Health Services	7,784	0	1,780	0	0	9,564
Transportation	0	1,859	0	0	0	1,859
General Government	6,518	0	0	0	0	6,518
<i>Total Disbursements</i>	<u>21,177</u>	<u>1,859</u>	<u>1,780</u>	<u>0</u>	<u>0</u>	<u>24,816</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,618)</u>	<u>2,809</u>	<u>2,996</u>	<u>1,008</u>	<u>161</u>	<u>2,356</u>
<i>Fund Balances Beginning of Year</i>	<u>29,822</u>	<u>7,197</u>	<u>2,925</u>	<u>15,279</u>	<u>1,680</u>	<u>56,903</u>
<i>Fund Balances End of Year</i>	<u>\$25,204</u>	<u>\$10,006</u>	<u>\$5,921</u>	<u>\$16,287</u>	<u>\$1,841</u>	<u>\$59,259</u>

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,549	\$2,549	\$2,682	\$133
Intergovernmental	2,458	2,458	8,038	5,580
Charges for Services	3,500	3,500	3,570	70
Miscellaneous	0	0	2,269	2,269
<i>Total Receipts</i>	8,507	8,507	16,559	8,052
Disbursements				
Current:				
Security of Persons and Property	7,511	7,511	6,875	636
Public Health Services	10,303	10,303	7,784	2,519
General Government	16,740	16,740	6,518	10,222
<i>Total Disbursements</i>	34,554	34,554	21,177	13,377
<i>Net Change in Fund Balance</i>	(26,047)	(26,047)	(4,618)	21,429
<i>Unencumbered Fund Balance Beginning of Year</i>	27,857	27,857	27,857	0
Prior Year Encumbrances Appropriated	1,965	1,965	1,965	0
<i>Unencumbered Fund Balance End of Year</i>	\$3,775	\$3,775	\$25,204	\$21,429

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction, Maintenance, and Repair Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$3,000	\$3,000	\$4,612	\$1,612
Fines, Licenses and Permits	0	0	56	56
<i>Total Receipts</i>	3,000	3,000	4,668	1,668
Disbursements				
Current:				
Transportation	5,835	5,835	1,859	3,976
<i>Net Change in Fund Balance</i>	(2,835)	(2,835)	2,809	5,644
<i>Unencumbered Fund Balance Beginning of Year</i>	7,076	7,076	7,076	0
Prior Year Encumbrances Appropriated	121	121	121	0
<i>Unencumbered Fund Balance End of Year</i>	\$4,362	\$4,362	\$10,006	\$5,644

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Cemetery Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$907	\$907	\$926	\$19
Intergovernmental	196	196	0	(196)
Charges for Services	1,000	1,000	3,850	2,850
<i>Total Receipts</i>	2,103	2,103	4,776	2,673
Disbursements				
Current:				
Public Health Services	9,933	9,933	1,780	8,153
<i>Net Change in Fund Balance</i>	(7,830)	(7,830)	2,996	10,826
<i>Unencumbered Fund Balance Beginning of Year</i>	2,874	2,874	2,874	0
Prior Year Encumbrances Appropriated	51	51	51	0
<i>Unencumbered Fund Balance End of Year</i>	(\$4,905)	(\$4,905)	\$5,921	\$10,826

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2016

	Business-Type Activities		
	Sewer Improvement	Nonmajor Enterprise Fund	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$0	\$735	\$735
<i>Total Assets</i>	<u>\$0</u>	<u>\$735</u>	<u>\$735</u>
Net Position			
Unrestricted	\$0	\$735	735
<i>Total Net Position</i>	<u>\$0</u>	<u>\$735</u>	<u>\$735</u>

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type Activities		
	Sewer Improvement	Nonmajor Enterprise Fund	Total Enterprise Funds
Operating Receipts			
Miscellaneous	\$0	\$735	\$735
<i>Total Operating Receipts</i>	<u>0</u>	<u>735</u>	<u>735</u>
<i>Operating Income (Loss)</i>	<u>0</u>	<u>735</u>	<u>735</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	330,206	0	330,206
Other Debt Proceeds	272,756	0	272,756
Capital Outlay	(325,802)	0	(325,802)
Principal Retirement	(272,756)	0	(272,756)
Interest and Other Fiscal Charges	(4,404)	0	(4,404)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Change in Net Position</i>	0	735	735
<i>Net Position Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>\$0</u></u>	<u><u>\$735</u></u>	<u><u>\$735</u></u>

See accompanying notes to the basic financial statements

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Fairview (the Village), Guernsey County, is a body politic and corporate 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 six-member council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Fairview provides the following services to its citizens: parks and recreation, street maintenance and repairs, cemetery, and sewer. The Village also contracts with Fairview Volunteer Fire Department for fire protection services.

Public Entity Risk Pools

The Village participates in a public entity risk pool. 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.

Note 2 - Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(Continued)

Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in two categories: governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General The general fund accounts for and reports all financial resources not accounted for and reported 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 Ohio.

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

Cemetery The cemetery fund accounts for and reports the sale of lots and opening and closing of graves.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(Continued)

Permanent (Cemetery Endowment Fund) The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(Continued)

The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street construction, maintenance, and repair; cemetery, and permissive motor vehicle licenses.

The Village applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(Continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 (committed, 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.

Note 3 - Compliance

Contrary to Ohio Rev. Code § 5705.41(B), the Village spent more than appropriated for 2016. In addition, per Ohio Rev. Code § 5705.41(D)(1), the Village did not consistently obtain prior certification before incurring obligations in 2016. Also, per § 117.38, the Villages financial statements and notes filed in the Hinkle System had significant errors.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General; Street Construction, Maintenance, and Repair; and Cemetery funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(Continued)

The difference between the budget basis and cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The Village had no encumbrances outstanding at year end.

Note 5 – Deposits

State statutes classify monies held by the Village into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Deposits were fully covered by FDIC.

Note 6 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 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.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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 York.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(Continued)

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, 2016, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016, the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$1,400.

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>2016 Contributions to PEP</u>
\$2,157

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.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans

Social Security

The Village's elected officials contributed to Social Security. The Village had no employees during the audit period.

Officials contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Debt

Ohio Water Development Authority (OWDA) Loans - The Village entered into an OWDA Loan for the Wastewater System Planning project. The Village then entered into another OWDA Loan (loan forgiveness grant) for the Wastewater System Improvements which paid off the preceding loan. No outstanding balance at December 31, 2016.

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Village of Fairview, Ohio
Guernsey County
Statement of Net Position - Cash Basis
December 31, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$56,903</u>
<i>Total Assets</i>	<u>56,903</u>
Net Position	
Restricted for:	
Permanent Fund Purpose:	
Expendable	5,279
Nonexpendable	10,000
Other Purposes	11,802
Unrestricted	<u>29,822</u>
<i>Total Net Position</i>	<u><u>\$56,903</u></u>

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Security of Persons and Property	\$6,957	\$0	\$0	(\$6,957)
Public Health Services	7,957	2,100	0	(5,857)
Basic Utility Services	0	3,500	0	3,500
Transportation	5,760	0	3,317	(2,443)
General Government	5,925	37	118	(5,770)
<i>Total Governmental Activities</i>	<u>\$26,599</u>	<u>\$5,637</u>	<u>\$3,435</u>	<u>(17,527)</u>
		General Receipts:		
		Property Taxes Levied for:		
		General Purposes		2,247
		Grants and Entitlements not Restricted to Specific Programs		5,506
		Earnings on Investments		12
		Miscellaneous		2,103
		<i>Total General Receipts</i>		<u>9,868</u>
		Change in Net Position		(7,659)
		<i>Net Position Beginning of Year (Restated See Note 8)</i>		<u>64,562</u>
		<i>Net Position End of Year</i>		<u><u>\$56,903</u></u>

See accompanying notes to the basic financial statements

Village of Fariview, Ohio
Guernsey County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2015

	General	Street Construction, Maintenance, and Repair	Cemetery	Permanent	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$29,822	\$7,197	\$2,925	\$15,279	\$1,680	\$56,903
<i>Total Assets</i>	<u>\$29,822</u>	<u>\$7,197</u>	<u>\$2,925</u>	<u>\$15,279</u>	<u>\$1,680</u>	<u>\$56,903</u>
Fund Balances						
Nonspendable	\$0	\$0	\$0	\$10,000	\$0	\$10,000
Restricted	0	7,197	2,925	5,279	1,680	17,081
Assigned	25,285	0	0	0	0	25,285
Unassigned (Deficit)	4,537	0	0	0	0	4,537
<i>Total Fund Balances</i>	<u>\$29,822</u>	<u>\$7,197</u>	<u>\$2,925</u>	<u>\$15,279</u>	<u>\$1,680</u>	<u>\$56,903</u>

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
 Guernsey County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
 Governmental Funds
 For the Year Ended December 31, 2015

	General	Street Construction, Maintenance, and Repair	Cemetery	Permanent	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$2,410	\$0	\$750	\$0	\$0	\$3,160
Intergovernmental	3,128	4,686	0	0	240	8,054
Charges for Services	3,500	0	1,900	200	0	5,600
Fines, Licenses and Permits	0	11	0	0	0	11
Earnings on Investments	0	0	0	12	0	12
Miscellaneous	1,758	345	0	0	0	2,103
<i>Total Receipts</i>	<u>10,796</u>	<u>5,042</u>	<u>2,650</u>	<u>212</u>	<u>240</u>	<u>18,940</u>
Disbursements						
Current:						
Security of Persons and Property	6,957	0	0	0	0	6,957
Public Health Services	6,882	0	1,075	0	0	7,957
Transportation	0	5,760	0	0	0	5,760
General Government	5,925	0	0	0	0	5,925
<i>Total Disbursements</i>	<u>19,764</u>	<u>5,760</u>	<u>1,075</u>	<u>0</u>	<u>0</u>	<u>26,599</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(8,968)	(718)	1,575	212	240	(7,659)
<i>Fund Balances Beginning of Year (Restated, See Note 8)</i>	<u>38,790</u>	<u>7,915</u>	<u>1,350</u>	<u>15,067</u>	<u>1,440</u>	<u>64,562</u>
<i>Fund Balances End of Year</i>	<u>\$29,822</u>	<u>\$7,197</u>	<u>\$2,925</u>	<u>\$15,279</u>	<u>\$1,680</u>	<u>\$56,903</u>

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$2,833	\$2,833	\$2,410	(\$423)
Other Local Taxes	150	150	0	(150)
Intergovernmental	5,060	5,060	3,128	(1,932)
Charges for Services	0	0	3,500	3,500
Miscellaneous	0	0	1,758	1,758
<i>Total Receipts</i>	<u>8,043</u>	<u>8,043</u>	<u>10,796</u>	<u>2,753</u>
Disbursements				
Current:				
Security of Persons and Property	7,500	7,500	6,972	528
Public Health Services	8,100	8,100	7,184	916
General Government	29,080	29,080	7,125	21,955
<i>Total Disbursements</i>	<u>44,680</u>	<u>44,680</u>	<u>21,281</u>	<u>23,399</u>
<i>Net Change in Fund Balance</i>	(36,637)	(36,637)	(10,485)	26,152
<i>Unencumbered Fund Balance Beginning of Year</i>	38,592	38,592	38,592	0
Prior Year Encumbrances Appropriated	198	198	198	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$2,153</u>	<u>\$2,153</u>	<u>\$28,305</u>	<u>\$26,152</u>

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction, Maintenance, and Repair Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$2,250	\$2,250	\$4,686	\$2,436
Fines, Licenses and Permits	750	750	11	(739)
Miscellaneous	0	0	345	345
<i>Total Receipts</i>	3,000	3,000	5,042	2,042
Disbursements				
Current:				
Transportation	6,015	6,015	5,881	134
<i>Net Change in Fund Balance</i>	(3,015)	(3,015)	(839)	2,176
<i>Unencumbered Fund Balance Beginning of Year</i>	7,915	7,915	7,915	0
<i>Unencumbered Fund Balance End of Year</i>	\$4,900	\$4,900	\$7,076	\$2,176

See accompanying notes to the basic financial statements

Village of Fairview, Ohio
Guernsey County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Cemetery Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,021	\$1,021	\$750	(\$271)
Charges for Services	800	800	1,900	1,100
<i>Total Receipts</i>	1,821	1,821	2,650	829
Disbursements				
Current:				
Public Health Services	1,821	1,821	1,126	695
<i>Net Change in Fund Balance</i>	0	0	1,524	1,524
<i>Unencumbered Fund Balance Beginning of Year</i>	1,350	1,350	1,350	0
<i>Unencumbered Fund Balance End of Year</i>	\$1,350	\$1,350	\$2,874	\$1,524

See accompanying notes to the basic financial statements

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Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Fairview (the Village), Guernsey County, is a body politic and corporate 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 six-member council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Fairview provides the following services to its citizens: parks and recreation, street maintenance and repairs, and cemetery. The Village also contracts with Fairview Volunteer Fire Department for fire protection services.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented as governmental.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General The general fund accounts for and reports all financial resources not accounted for and reported 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 Ohio.

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

Cemetery The cemetery fund accounts for and reports the sale of lots and opening and closing of graves.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Permanent (Cemetery Endowment Fund) The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street construction, maintenance, and repair; cemetery, and permissive motor vehicle licenses.

The Village applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 (committed, 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.

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General; Street Construction, Maintenance, and Repair; and Cemetery funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budget basis) amounted to \$1,517 for the General Fund; \$121 for the Street Construction, Maintenance, and Repair Fund; and \$51 for the Cemetery Fund.

Note 4 – Deposits

State statutes classify monies held by the Village into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Deposits were fully covered by FDIC.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 6 - 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.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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 York. 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, 2015, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$1,700.

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>2015 Contributions to PEP</u> \$2,773

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.

Note 7 - Defined Benefit Pension Plans

Social Security

The Village's elected officials contributed to Social Security. The Village had no employees during the audit period.

Note 8 – Prior Period Restatement

For the year ended December 31, 2014, an adjustment resulted in fund balance restatement.

Village of Fairview
Guernsey County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Governmental Funds	Fund Balances at December 31, 2014	Restatement Amount	Fund Balances at January 1, 2015
Net Position	\$63,157	\$1,405	\$64,562
General	36,625	2,165	38,790
Street Construction	3,015	4,900	7,915
Cemetery	6,494	(5,144)	1,350
Permanent	14,454	613	15,067
Other Governmental	2,569	(1,129)	1,440
Total	<u>\$63,157</u>	<u>\$1,405</u>	<u>\$64,562</u>

The changes in fund balances are the result of adjustments during prior audit not made by the Fiscal Officer. The Fiscal officer made these adjustments to the UAN accounting system on April 17, 2018.

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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
461 Fair Avenue
Quaker City, Ohio 43773

To the Village Council:

We have audited, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fairview, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 31, 2018, wherein we noted the Village uses a special framework other than generally accepted accounting principles. We also noted the Village during 2015 elected to change its financial presentation to a cash basis comparable to the requirements of *Government Accounting Standards*. We also noted in Note 8 to the 2015 financial statements the Village had a prior period restatement.

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 2016-001 through 2016-006 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 2016-001, 2016-002, 2016-005 and 2016-006.

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.



Dave Yost
Auditor of State
Columbus, Ohio

May 31, 2018

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

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.

In 2016, the Sewer Improvement Fund had expenditures exceeding appropriations in the amount of \$602,962. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should not certify the availability of funds and should deny requests for payment exceeding appropriations.

FINDING NUMBER 2016-002

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.

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.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002 (Continued)

Noncompliance and Material Weakness – Oho Rev. Code § 5705.41(D)(1) – (Continued)

1. 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.

2. 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 78% of 2016 and 62% of 2015 expenditures tested. 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 post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2016-003

Material Weakness

The Fiscal Officer prepared monthly bank reconciliations during the audit period; however, there was no control in place for Council to approve the reconciliations.

The monthly bank reconciliations for the audit period include "Other Adjusting Factors" in the amount of \$8,776. The Village was declared unauditible in the prior audit and an Independent Public Account was hired to prepare a Proof of Cash for 2013 and 2014, so an audit could be performed. The lack of proper oversight led to errors in the monthly bank reconciliation process that went undetected for an extended period of time. The Village has made adjustments to their accounting system to remove the "Other Adjusting Factors" in the amount of \$8,776.

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.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-004

Material Weakness

The Village should 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. As part of this accounting system, the Village should have procedures in place for a review of transactions posted by the Fiscal Officer.

As a result of audit procedures performed, misclassifications/adjustments were noted in the Village's financial statements as noted below:

- Statement No. 54 of Governmental Accounting Board (GASB) defines the reporting of fund balances in the financial statements. The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting as assigned, in the amount of \$22,995 during 2016. Also, the Village reported the Permanent cash fund balance as assigned instead of nonspendable, in the amount of \$10,000 and restricted, in the amount of \$6,287 during 2016.
- During 2016, loan proceeds, in the amount of \$268,352 from the Ohio Water Development Authority (OWDA), were received by the Village and not posted to the Village's Sewer Improvement Fund as debt proceeds and capital outlay expenditure. Also, we determined that capitalized interest on these loan proceeds, in the amount of \$4,404, was not posted by the Village. The capitalized interest should have been posted to the Sewer Improvement Fund as debt proceeds and interest and fiscal charges.
- We determined the OWDA disbursed \$272,756 from OWDA Loan #7486 to pay off OWDA Loan #7192. This on-behalf activity was not posted by the Village. This activity should have been posted to the Sewer Improvement Fund as intergovernmental receipts and principal retirement. In addition, grant proceeds, in the amount of \$57,450, were received by the Village and posted to the Village's General Fund as special assessment revenue and the disbursement of the funds to the public health services expenditure account. The grant proceeds should have been posted to a Sewer Improvement Fund as intergovernmental receipts and the disbursement of funds to capital outlay expenditure account.
- During 2016, the Village posted various receipts into improper receipt accounts based on the source of the receipts. The amounts of \$58,487, \$4,668, \$926, \$5,292 and \$603,697 were not posted to correct revenue account classification within the General; Street Construction, Maintenance, and Repair; Cemetery; Other Governmental, and Enterprise Funds, respectively.
- Statement No. 54 of Governmental Accounting Board (GASB) defines the reporting of fund balances in the financial statements. The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting as assigned, in the amount of \$25,285 during 2015. Also, the Village reported the Permanent cash fund balance as assigned instead of nonspendable, in the amount of \$10,000 and restricted, in the amount of \$5,279 during 2015.
- During 2015, the Village posted various receipts into improper receipt accounts based on the source of the receipts. The amounts of \$406, \$541, \$239 and \$104 were not posted to correct revenue account classification within the General; Street Construction, Maintenance, and Repair; Cemetery; and Other Governmental Funds, respectively.

**VILLAGE OF FAIRVIEW
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-004 (Continued)

Material Weakness (Continued)

The Fiscal Officer should review the chart of accounts within the Uniform Accounting Network Accounting & General Manual for proper receipt postings. This guidance will allow the Fiscal Officer to make proper postings to receipt account classifications based on the source of the receipt. Also, the Fiscal Officer should review Auditor of State Bulletin 2011-004 for proper reporting of fund balances. Someone independent of the Fiscal Officer, preferably a member of the Village Council, should periodically review postings to the accounting system for accuracy. In addition, the Village should create and approve a fund balance policy.

The aforementioned material reclassifications, to which management agrees, have been adjusted in the accompanying Village financial statements.

FINDING NUMBER 2016-005

Noncompliance and Material Weakness

Ohio Rev. Code § 117.38 states, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State (AOS) may prescribe forms by rule or may issue guidelines, or both, for such reports. However, if the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

The report shall contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of expenditures for each purpose, (C) income of any public service industry owned or operated by a municipal corporation, and the cost of such ownership or operation; and (D) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The financial statements filed in the Hinkle system required significant revisions, which were agreed to by Village management and are reflected in accompanying notes to the financial statements. We noted the following.

- Beginning fund balances did not agree to prior year financial statement; therefore, needed to be restated.
- In 2016, Street Construction, Maintenance and Repair fund was not shown as a major fund on the financial statements and; therefore, no BVA was filed.
- In 2016, the Village created a Sewer Enterprise Fund. No amounts were recorded on the Proprietary Funds financial statements that were filed in the Hinkle System.

The notes to the financial statements filed in the Hinkle System required significant revisions, which were agreed to by Village management and are reflected in the accompanying notes to the financial statements. We noted the following:

- The Village filed OCBOA Cash Financial Statements for both 2016 and 2015. However, in 2016, the Village filed AOS Regulatory Cash Basis notes instead of OCBOA Cash notes.
- Material note disclosures were not made, including risk management (Public Entities Pool) and debt (for 2016).

VILLAGE OF FAIRVIEW
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-005 (Continued)

Noncompliance and Material Weakness (Continued)

The Village did not have an internal control process in place to help ensure the financial statements and notes to the financial statements filed on the AOS Hinkle System were complete and accurate.

The Village should file complete and accurate annual financial reports with the Auditor of State. The Village should utilize the financial statement and footnote shells available on the AOS website at <http://www.ohioauditor.gov/references/shells.html> to help ensure all amounts are included on the financial statements and all material note disclosures are included in the financial reporting package.

FINDING NUMBER 2016-006

Noncompliance and Material Weakness

26 U.S.C. § 3403 states, in part, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter.

While the payroll records indicated Medicare, Social Security and federal income taxes were withheld from the officials' gross pay, the amounts withheld, along with the employer matches were not remitted as required. This can result in a significant tax liability, plus penalties and interest for the Village.

The Fiscal Officer properly withheld federal, Social Security and Medicare withholdings from all elected officials of the Village during 2016 and 2015; however, the Village did not remit the employees or employer shares of Social Security and Medicare withholdings to the U.S. Treasury. Per review of the 2015 and 2016 payroll disbursements, there was an outstanding amount of employee and employer federal, FICA and Medicare withholding taxes, in the amount of \$906.54 still due to be paid at December 31, 2016. The previous audit for the period January 1, 2013 through December 31, 2014 determined that \$411.79 of federal, FICA and Medicare withholding taxes were never remitted.

The Village Fiscal Officer should submit federal income taxes withheld on a timely basis. Additionally, the Village Fiscal Officer should maintain documentation concerning the remittance of federal income taxes as well as the required reports. This matter will be referred to the Internal Revenue Service.

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

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**VILLAGE FAIRVIEW
GUERNSEY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code § 5705.41(B) – During 2013 and 2014 the Township had expenditures that exceeded appropriations at year-end.	Partially Corrected.	During the current audit, only the Sewer Operating Fund had expenditures that exceeded appropriations in 2016. This was the result of on-behalf payments for the sewer construction.
2014-002	Ohio Rev. Code § 5705.41(D) – The Village did not consistently obtain prior certification before incurring obligations.	Not Corrected.	The Village implemented the UAN accounting system during the current audit, but did not implement controls over the obtaining prior certification before incurring any obligations.
2014-003	During the audit period, the monthly bank reconciliations included reconciling items that could not be explained.	Partially Corrected.	The Village implemented the UAN accounting system and the “other adjusting factor” in the monthly bank reconciliations remained the same amount for the whole audit period. The Village made adjustments in 2018 to eliminate the “other adjusting factor”.
2014-004	The Township did not properly follow GASB 54, did not post estimated revenues in 2014 and 2013, and posted 2014 homestead and rollback revenues as taxes instead of intergovernmental receipts.	Partially Corrected.	The Village implemented the UAN accounting system and posted all legislatively approved budgetary amounts in the UAN accounting system. The Village still doesn’t full understand the GASB 54 fund presentations.

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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
JUNE 26, 2018