

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO  
FINANCIAL STATEMENTS – CASH BASIS**

**DECEMBER 31, 2010 AND 2009**





# Dave Yost • Auditor of State

Members of Council  
Village of Fairfax  
5903 Hawthorne Avenue  
Fairfax, Ohio 45227

We have reviewed the *Independent Auditors' Report* of the Village of Fairfax, Hamilton County, prepared by Hurst, Kelly & Company LLC, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Fairfax is responsible for compliance with these laws and regulations.

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Dave Yost  
Auditor of State

September 22, 2011

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VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO

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**INDEPENDENT AUDITORS' REPORT**

Village of Fairfax, Hamilton County  
5903 Hawthorne Avenue  
Fairfax, Ohio 45227

To Village Council:

We have audited the accompanying financial statements of the Village of Fairfax, Hamilton County, (the Village) as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

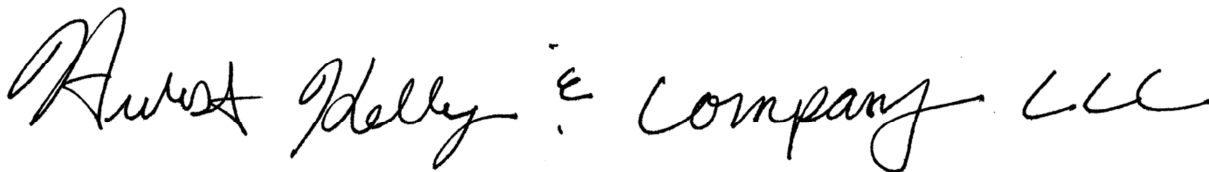
As described more fully in Note 1, the Village has prepared these financial statements using accounting practices prescribed or permitted by the Ohio Auditor of State, whose practices differ from accounting principles generally accepted in the United States of America (GAAP). The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Ohio Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Ohio Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended. Further, the Village has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Fairfax, Hamilton County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2011, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Arthur Kelly & Company LLC". The signature is written in a cursive, flowing style.

Mason, Ohio  
July 22, 2011



**VILLAGE OF FAIRFAX  
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$ 152,848	\$ 5,808	\$ -	\$ 158,656
Payments in Lieu of Taxes	-	506,026	-	506,026
Municipal Income Tax	2,503,113	-	-	2,503,113
Intergovernmental	122,726	260,636	-	383,362
Charges for Services	25,803	-	-	25,803
Fines, Licenses and Permits	87,296	17,932	-	105,228
Earnings on Investments	9,199	42	-	9,241
Miscellaneous	34,604	25,912	200	60,716
	<u>2,935,589</u>	<u>816,356</u>	<u>200</u>	<u>3,752,145</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	920,421	21,278	-	941,699
Public Health Services	3,331	-	-	3,331
Leisure Time Activities	70,065	32	-	70,097
Community Environment	49,742	58,061	-	107,803
Basic Utility Service	159,767	-	-	159,767
Transportation	433,322	76,549	281,398	791,269
General Government	974,173	1,999	-	976,172
Capital Outlay	-	192,265	342,705	534,970
TIF Compensation Payments	-	506,026	-	506,026
	<u>2,610,821</u>	<u>856,210</u>	<u>624,103</u>	<u>4,091,134</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over (Under) Disbursements</b>	<u>324,768</u>	<u>(39,854)</u>	<u>(623,903)</u>	<u>(338,989)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers-In	-	161,892	374,855	536,747
Transfers-Out	(536,747)	-	-	(536,747)
Advances-In	57,469	-	-	57,469
Advances-Out	-	(21,469)	(36,000)	(57,469)
	<u>(479,278)</u>	<u>140,423</u>	<u>338,855</u>	<u>-</u>
<b>Total Other Financing Receipts (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(154,510)	100,569	(285,048)	(338,989)
Fund Cash Balances, January 1	<u>1,472,224</u>	<u>173,994</u>	<u>308,614</u>	<u>1,954,832</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 1,317,714</b></u>	<u><b>\$ 274,563</b></u>	<u><b>\$ 23,566</b></u>	<u><b>\$ 1,615,843</b></u>
Reserve for Encumbrances, December 31	<u>\$ 114,893</u>	<u>\$ 47,689</u>	<u>\$ -</u>	<u>\$ 162,582</u>

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

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$ 131,809	\$ 5,664	\$ -	\$ 137,473
Payments in Lieu of Taxes	-	271,845	-	271,845
Municipal Income Tax	2,378,874	-	-	2,378,874
Intergovernmental	131,570	98,991	128,551	359,112
Charges for Services	25,353	-	-	25,353
Fines, Licenses and Permits	164,074	16,330	-	180,404
Earnings on Investments	15,549	166	-	15,715
Miscellaneous	29,138	26,065	-	55,203
	<u>2,876,367</u>	<u>419,061</u>	<u>128,551</u>	<u>3,423,979</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	928,064	13,062	-	941,126
Public Health Services	3,358	-	-	3,358
Leisure Time Activities	79,217	346	-	79,563
Community Environment	54,219	-	-	54,219
Basic Utility Service	143,719	-	-	143,719
Transportation	433,157	121,471	18,038	572,666
General Government	1,063,884	3,697	-	1,067,581
Capital Outlay	-	81,091	368,831	449,922
TIF Compensation Payments	-	271,845	-	271,845
	<u>2,705,618</u>	<u>491,512</u>	<u>386,869</u>	<u>3,583,999</u>
Total Receipts Over (Under) Disbursements	<u>170,749</u>	<u>(72,451)</u>	<u>(258,318)</u>	<u>(160,020)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers-In	21,233	64,520	561,975	647,728
Transfers-Out	(626,495)	-	(21,233)	(647,728)
	<u>(605,262)</u>	<u>64,520</u>	<u>540,742</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(434,513)	(7,931)	282,424	(160,020)
Fund Cash Balances, January 1	<u>1,906,737</u>	<u>181,925</u>	<u>26,190</u>	<u>2,114,852</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 1,472,224</b></u>	<u><b>\$ 173,994</b></u>	<u><b>\$ 308,614</b></u>	<u><b>\$ 1,954,832</b></u>
Reserve for Encumbrances, December 31	<u>\$ 22,298</u>	<u>\$ 1,827</u>	<u>\$ -</u>	<u>\$ 24,125</u>

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

VILLAGE OF FAIRFAX  
HAMILTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	\$ 74,410
Total Non-Operating Cash Receipts	<u>74,410</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>82,669</u>
Total Non-Operating Cash Disbursements	<u>82,669</u>
Net Receipts Over (Under) Disbursements	(8,259)
Fund Cash Balances, January 1	<u>36,703</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ 28,444</u></u></b>

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

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	\$ 132,800
Total Non-Operating Cash Receipts	132,800
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	140,522
Total Non-Operating Cash Disbursements	140,522
Net Receipts Over (Under) Disbursements	(7,722)
Fund Cash Balances, January 1	44,425
<b>Fund Cash Balances, December 31</b>	<b>\$ 36,703</b>

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

**VILLAGE OF FAIRFAX,  
HAMILTON COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

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**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fairfax, Hamilton County, (the Village) as a body corporate and politic. The Village operates under a council/mayor form of government and employs a Village Administrator. Elected officials include six council members, a clerk/treasurer, and a mayor. The Village provides various services including police protection, recreation, street maintenance and repair and general administrative services. The Village contracts with the Little Miami Joint Fire & Rescue District for fire and emergency medical services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF FAIRFAX,  
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**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Tax Increment Financing Fund - This fund is used to account for financial resources related to the Village's tax increment financing agreement.

Little Duck Creek Fund - This fund is used to account for flooding mitigation near the Little Duck Creek.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project funds:

Wooster Pike Fund - This fund is used to account for streetscape improvements along Wooster Pike.

Spring Street Storm Sewer Fund - This fund is used to account for infrastructure improvements and upgrades to the Spring Street storm sewer.

**4. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's most significant agency fund accounts for the collection and distribution of Mayor's Court fines and forfeitures.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**VILLAGE OF FAIRFAX,  
HAMILTON COUNTY, OHIO**  
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**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. Equity in Pooled Deposits and Investments**

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

	2010	2009
Demand Deposits	\$ 895,399	\$ 1,048,487
Certificates of Deposit	748,888	943,048
Total Deposits	\$ 1,644,287	\$ 1,991,535

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF FAIRFAX,  
HAMILTON COUNTY, OHIO**  
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**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 are as follows:

2010 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 3,169,233	\$ 2,935,589	\$ (233,644)
Special Revenue	1,276,510	978,248	(298,262)
Capital Project	915,182	375,055	(540,127)
Total	<u>\$ 5,360,925</u>	<u>\$ 4,288,892</u>	<u>\$ (1,072,033)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 4,010,132	\$ 3,262,461	\$ 747,671
Special Revenue	1,209,746	903,899	305,847
Capital Project	1,109,253	624,103	485,150
Total	<u>\$ 6,329,131</u>	<u>\$ 4,790,463</u>	<u>\$ 1,538,668</u>

2009 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 3,119,116	\$ 2,897,600	\$ (221,516)
Special Revenue	1,387,829	483,581	(904,248)
Capital Project	752,860	690,526	(62,334)
Total	<u>\$ 5,259,805</u>	<u>\$ 4,071,707</u>	<u>\$ (1,188,098)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 3,796,043	\$ 3,354,411	\$ 441,632
Special Revenue	540,308	493,339	46,969
Capital Project	408,102	408,102	-
Total	<u>\$ 4,744,453</u>	<u>\$ 4,255,852</u>	<u>\$ 488,601</u>



**VILLAGE OF FAIRFAX,  
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Contrary to Ohio law, the Village did not obtain an amended certificate when actual receipts were less than budgeted receipts and the deficit reduced available resources below the then-current level of appropriation in the following funds:

**2009**

Gateway Grant Fund (Special Revenue)

**2010**

Gateway Grant Fund (Special Revenue)  
Little Duck Creek Fund (Special Revenue)  
Community Improvement Fund (Special Revenue)  
Beautification Fund (Special Revenue)  
Community Block Grant Fund (Capital Project)  
Wooster Pike Revitalization Fund (Capital Project)  
Community Block Grant II Fund (Capital Project)  
Streetscape Project Fund (Capital Project)  
Streetscape Fund (Capital Project)

**4. Property Tax**

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

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

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

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The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**7. Risk Management – Risk Pool Membership**

The Village is a member of Ohio Plan Risk Management, Inc., a jointly administered self-insurance pool. The pool assumes the risk of loss up to the limits of the Village of Fairfax's policy. The pool may make supplemental assessments if the experience of the overall pool is unfavorable. The pool covers the following risks:

- General liability and casualty
- Public official's liability
- Vehicles

Ohio Plan Risk Management, Inc. reported the following summary of asset, liabilities and members' equity as of December 31:

	<u>2010</u>	<u>2009</u>
Assets	\$ 12,036,541	\$ 11,176,186
Liabilities	<u>4,845,056</u>	<u>4,852,485</u>
Members' Equity	<u>\$ 7,191,485</u>	<u>\$ 6,323,701</u>

**VILLAGE OF FAIRFAX,  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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**8. Interfund Activity**

**A. Transfers**

Interfund transfers for 2009 consisted of the following:

<u>Transfer from Fund</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General Fund	Big Duck Creek Fund (Capital Project)	\$ 65,000
	Wooster Pike Fund (Capital Project)	18,038
	Red Bank Road Fund (Capital Project)	50,000
	Spring Street Storm Sewer Fund (Capital Project)	428,937
	Gateway Grant Fund (Special Revenue)	64,520
Red Bank Widening Fund (Capital Project)	General Fund	243
Fair Lane Phase III Fund (Capital Project)	General Fund	2,580
FEMA Grant Fund (Capital Project)	General Fund	<u>18,410</u>
		<u>\$ 647,728</u>

The General Fund transferred out funds as noted in the table above to provide funding for various programs that are being accounted for in other funds. The Red Bank Widening Fund and Fair Lane Phase III Fund transferred funds back to the General Fund as the corresponding projects related to these funds were completed with the General Fund initially seeding these funds when the project commenced. The FEMA Grant Fund transferred funds to the General Fund to reimburse the General Fund for expenses that were incurred prior to 2009.

Interfund transfers for 2010 consisted of the following:

<u>Transfer from Fund</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General Fund	Little Duck Creek Fund (Special Revenue)	\$ 140,742
	Wooster Pike Fund (Capital Project)	281,398
	Community Development Fund (Capital Project)	36,000
	Spring Street Storm Sewer Fund (Capital Project)	57,457
	Gateway Grant Fund (Special Revenue)	<u>21,150</u>
		<u>\$ 536,747</u>

The General Fund transferred out funds as noted in the table above to provide funding for various programs that are being accounted for in other funds.

**VILLAGE OF FAIRFAX,  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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**B. Advances**

Interfund advances for 2010 consisted of the following:

<b>Advance Out</b>	<b>Advance In</b>	<b>Amount</b>
Little Duck Creek Fund (Special Revenue)	General Fund	\$ 21,469
Community Development Fund (Capital Project)	General Fund	36,000
		\$ 57,469

The Little Duck Creek Fund and Community Development Fund advanced out funds to the General Fund in 2010 to repay advances that the General Fund had made to these funds in periods prior to 2009.

**9. Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal, state and other local governments. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Hurst, Kelly & Company LLC**  
**Certified Public Accountants**  
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Mason, Ohio 45040  
513.234.0977  
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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance With *Government Auditing  
Standards***

Village of Fairfax, Hamilton County  
5903 Hawthorne Avenue  
Fairfax, Ohio 45227

To Village Council:

We have audited the financial statements of the Village of Fairfax, Hamilton County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 22, 2011, in which it is noted that the Village prepared its financial statements on a basis of accounting prescribed or permitted by the Ohio Auditor of State, which is a basis other than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2010-001 that we consider to be a significant deficiency in internal control over financial reporting. 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.

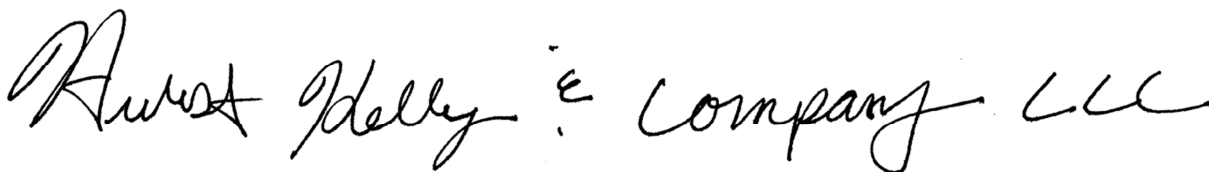
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2010-002.

We noted certain matters that we reported to management of the Village in a separate letter dated July 22, 2011.

The Village's responses to the findings identified in our audits are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Robert Kelly & Company LLC". The signature is written in a cursive, flowing style.

Mason, Ohio  
July 22, 2011

**VILLAGE OF FAIRFAX,  
HAMILTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001 – SIGNIFICANT DEFICIENCY – TIMELY INQUIRY OF OUTSTANDING  
RECONCILING ITEMS ON THE BANK RECONCILIATION**

**Criteria:**

A component of effective internal control over cash is the accurate and timely reconciliation of the balances of cash per the Village's financial records to the balances of cash reported by external financial institutions.

**Condition:**

During 2009 and 2010, the Village accumulated various reconciling items on the monthly bank reconciliation for which audit adjustments were made in 2009 and 2010 (to post the corresponding outstanding reconciling items into the proper periods).

**Cause:**

Although monthly bank reconciliations were being prepared for each month, the reconciliations were not prepared timely enough to allow for the reconciling items to be detected and recorded in the correct period.

**Effect:**

Complete, accurate and timely reconciliations of the Village's cash accounts are an essential component of effective internal control over cash. The untimely reconciliation and accumulation of reconciling amounts on the monthly cash reconciliation could result in error, omission, noncompliance with legal and regulatory compliance requirements, or misappropriation of the Village's resources that would not be detected in a timely manner.

Additionally, an audit adjustment of approximately \$12,000 was posted to record the outstanding reconciling items into the proper periods. The audit adjustment:

- Reduced 2009 General Fund disbursements
- Increased General Fund cash at December 31, 2009
- Reduced 2010 General Fund receipts
- Increased General Fund cash at January 1, 2010

**Recommendation:**

The Village should promptly reconcile the balance of cash at month end and investigate and determine the appropriate accounting treatment for any reconciling items.

**View of Responsible Officials and Planned Corrective Actions:**

We are in agreement with the finding.

**FINDING NUMBER 2010-002 – COMPLIANCE CITATION – AMENDED CERTIFICATES NOT OBTAINED**

**Criteria:**

Ohio Revised Code Section 5705.36(A)(4) requires a reduced amended certificate of estimated resources to be requested whenever the fiscal officer determines that revenue collected will be less than the amount reported in the official certificate of estimated resources and the deficiency will reduce available resources below the current level of appropriation.

**Condition:**

Contrary to the requirements of Section 5705.36(A)(4), the Village did not request an amended certificate of estimated resources for the following funds:

<b>2009</b>			
<b>Fund</b>	Estimated Receipts	Revenue Variance	Appropriations
Gateway Grant Fund (Special Revenue)	\$ 124,500	\$ (48,033)	\$ 87,447

<b>2010</b>			
<b>Fund</b>	Estimated Receipts	Revenue Variance	Appropriations
Gateway Grant Fund (Special Revenue)	\$ 61,000	\$ (39,850)	\$ 61,000
Little Duck Creek Fund (Special Revenue)	\$ 575,469	\$ (259,364)	\$ 474,313
Community Improvement Fund (Special Revenue)	\$ 80	\$ (68)	\$ 100
Beautification Fund (Special Revenue)	\$ 200	\$ (90)	\$ 800
Community Block Grant Fund (Capital Project)	\$ 72,000	\$ (43,182)	\$ 66,548
Wooster Pike Revitalization Fund (Capital Project)	\$ 500,000	\$ (218,602)	\$ 500,000
Community Block Grant II Fund (Capital Project)	\$ 50,000	\$ (50,000)	\$ 50,000
Streetscape Project Fund (Capital Project)	\$ 100,000	\$ (99,800)	\$ 100,000
Streetscape Fund (Capital Project)	\$ 50,000	\$ (50,000)	\$ 50,000

**Cause:**

Receipts collected were less than the amount reported in the official certificate of estimated resources and the deficiency reduced available resources below the current level of appropriation and the Village did not request a reduced amended certificate of estimated resources.

**Effect:**

The Village was not in compliance with Ohio Revised Code Section 5705.36(A)(4) during 2009 and 2010.

**Recommendation:**

The Village should monitor year to date receipts and compare the year to date receipts to the amount of estimated resources reported in the official certificate of estimated resources. When such a comparison indicates that receipts collected will be less than the amount reported in the official certificate of estimated resources and the deficiency will reduce available resources below the current level of appropriation, the fiscal officer should request an amended certificate of estimated resources reflecting the deficiency.

**View of Responsible Officials and Planned Corrective Actions:**

We are in agreement with the finding.



**VILLAGE OF FAIRFAX,  
HAMILTON COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-FAIR-01	Amended certificates not obtained	No	Repeated as finding 2010-002.
2008-FAIR-02	Expenditures exceeding appropriations	Yes	Corrected

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# Dave Yost • Auditor of State

VILLAGE OF FAIRFAX

HAMILTON COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 4, 2011