

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Village of Fairfax, Hamilton County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 21, 2006

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**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2004 & 2003**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Village Council
Village of Fairfax
5903 Hawthorne Avenue
Cincinnati, Ohio 45227

We have audited the accompanying financial statements of the Village of Fairfax, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Fairfax, Hamilton County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2005, 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. 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 the 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.

Charles E. Harris & Associates, Inc.

December 22, 2005

VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types and Fiduciary Fund
For the Year Ended December 31, 2004

	Governmental Fund Types			Fiduciary	Total
	General	Special Revenue	Capital Projects	Fund Agency	Memorandum Only
Receipts:					
Property and Local Taxes	\$ 156,250	\$ 6,666	\$ -	\$ -	\$ 162,916
Income Taxes	1,814,428	-	-	-	1,814,428
Intergovernmental	150,924	979,073	659,935	-	1,789,932
Special Assessments	-	-	759	-	759
Charges for Services	13,287	-	-	-	13,287
Fines, Licenses and Permits	92,703	14,447	-	108,443	215,593
Interest	12,711	87	38,567	-	51,365
Other	52,023	41,367	-	-	93,390
Total Receipts	2,292,326	1,041,640	699,261	108,443	4,141,670
Disbursements:					
Current:					
Security of Persons & Property	1,051,175	19,199	-	-	1,070,374
Public Health Services	3,614	-	-	-	3,614
Leisure Time Activities	65,899	-	-	-	65,899
Community Environment	12,471	12,748	-	-	25,219
Basic Utility Services	138,439	-	-	-	138,439
Transportation	121,772	245,849	-	-	367,621
General Government	810,895	-	-	-	810,895
Capital Outlay	-	809,439	1,127,347	-	1,936,786
Debt Service:					
Principal	400,000	-	25,000	-	425,000
Interest	-	-	29,012	-	29,012
Total Disbursements	2,604,265	1,087,235	1,181,359	-	4,872,859
Total Receipts Over/(Under)					
Disbursements	(311,939)	(45,595)	(482,098)	108,443	(731,189)
Other Financing Sources/(Uses):					
Advances-In	-	-	95,314	-	95,314
Advances-Out	(95,314)	-	-	-	(95,314)
Transfers-In	-	-	630,173	-	630,173
Transfers-Out	(630,173)	-	-	-	(630,173)
Non-Operating Disbursements	-	-	-	(112,210)	(112,210)
Total Other Financing Sources/(Uses)	(725,487)	-	725,487	(112,210)	(112,210)
Excess of Receipts and Other					
Sources Over/(Under) Disbursements					
and Other Uses	(1,037,426)	(45,595)	243,389	(3,767)	(843,399)
Fund Cash Balance January 1, 2004	1,254,987	357,784	6,659	10,079	1,629,509
Fund Cash Balance December 31, 2004	\$ 217,561	\$ 312,189	\$ 250,048	\$ 6,312	\$ 786,110
Reserve for Encumbrances	\$ 7,711	\$ 1,269	\$ -	\$ 660	\$ 9,640

See Accompanying Notes to the Financial Statements.

VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types and Fiduciary Fund
For the Year Ended December 31, 2003

	Governmental Fund Types			Fiduciary Fund	Total Memorandum
	General	Special Revenue	Capital Projects	Agency	Only
Receipts:					
Property and Local Taxes	\$ 147,102	\$ 7,066	\$ -	\$ -	\$ 154,168
Income Taxes	1,627,919	-	-	-	1,627,919
Intergovernmental	107,453	77,283	407,557	-	592,293
Charges for Services	14,641	-	-	-	14,641
Fines, Licenses and Permits	124,000	11,503	-	158,709	294,212
Interest	21,968	40	1,795	-	23,803
Other	19,738	46,991	-	-	66,729
Total Receipts	2,062,821	142,883	409,352	158,709	2,773,765
Disbursements:					
Current:					
Security of Persons & Property	1,065,532	17,295	-	-	1,082,827
Public Health Services	3,500	-	-	-	3,500
Leisure Time Activities	63,721	-	-	-	63,721
Community Environment	11,768	13,300	-	-	25,068
Basic Utility Services	132,270	-	-	-	132,270
Transportation	188,767	71,106	-	-	259,873
General Government	738,203	-	-	-	738,203
Capital Outlay	-	44,899	1,208,260	-	1,253,159
Debt Service:					
Interest	-	-	18,242	-	18,242
Total Disbursements	2,203,761	146,600	1,226,502	-	3,576,863
Total Receipts Over/(Under) Disbursements	(140,940)	(3,717)	(817,150)	158,709	(803,098)
Other Financing Sources/(Uses):					
Loan Proceeds	744,000	-	356,000	-	1,100,000
Transfers-In	-	132,632	-	-	132,632
Transfers-Out	(132,632)	-	-	-	(132,632)
Non-Operating Disbursements	-	-	-	(158,286)	(158,286)
Total Other Financing Sources/(Uses)	611,368	132,632	356,000	(158,286)	941,714
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	470,428	128,915	(461,150)	423	138,616
Fund Cash Balance January 1, 2003	784,559	228,869	467,809	9,656	1,490,893
Fund Cash Balance December 31, 2003	\$ 1,254,987	\$ 357,784	\$ 6,659	\$ 10,079	\$ 1,629,509
Reserve for Encumbrances	\$ 5,965	\$ -	\$ -	\$ -	\$ 5,965

See Accompanying Notes to the Financial Statements.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Fairfax, Hamilton County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 for fire and emergency medical services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has the following significant Special Revenue funds:

- Street Construction, Maintenance and Repair Fund
- Murray Road Bike Trail Fund
- Hazard Mitigation Fund

Capital Projects: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The Village has the following significant Capital Projects Funds:

- Red Bank Widening
- Community Block Grant
- Big Duck Creek

Fiduciary Fund Type: To account for custodial funds held by the Village acting as an agent for another government, organization, individual or fund. The Village had the following Fiduciary Fund:

Agency Fund:

- Mayor's Court

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk/Treasurer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk/Treasurer identifies decreases in revenue.

Budget receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. BUDGETARY - (Continued)

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

G. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 685,070	\$1,229,509
Certificates of deposit	<u>101,040</u>	<u>400,000</u>
Total deposits and investments	<u>\$ 786,110</u>	<u>\$1,629,509</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

<u>Fund:</u>	<u>2004 Budgeted vs Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 2,434,807	\$ 2,292,326	\$ (142,481)
Special Revenue Funds	1,258,254	1,041,640	(216,614)
Capital Projects Fund	2,686,718	1,329,434	(1,357,284)

<u>Fund:</u>	<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 3,321,752	\$ 3,242,149	\$ 79,603
Special Revenue Funds	1,488,026	1,088,504	399,522
Capital Projects Fund	2,758,791	1,181,359	1,577,432

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

4. BUDGETARY - (Continued)

<u>Fund:</u>	<u>2003 Budgeted vs Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 1,373,495	\$ 2,806,821	\$ 1,433,326
Special Revenue Funds	446,803	275,515	(171,288)
Capital Projects Fund	3,616,496	765,352	(2,851,144)

<u>Fund:</u>	<u>2003 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 2,385,874	\$ 2,342,358	\$43,516
Revenue Funds	568,383	146,600	421,783
Capital Projects Fund	4,081,027	1,226,502	2,810,525

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are state operated, cost sharing, multiple employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. Members of OP&F contributed 10.0% of their gross pay, while the Village contributed 19.5%. OPERS members contributed 8.5% of their gross pay while the Village contributed an amount equal to 13.55% of covered payroll. The Village paid all required contributions through 2004.

6. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan ("the Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments.

Pursuant to Section 2744 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

6. RISK MANAGEMENT – (Continued)

The Plan issues its own policies and reinsures the Plan with A-Vii or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and Member's Equity at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$ 6,685,522	\$ 5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Retained Earnings	<u>\$ 4,457,714</u>	<u>\$ 3,531,044</u>

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan's website, www.ohioplan.org.

7. DEBT

Debt outstanding at December 31, 2004 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Street Improvement Bond Anticipation Notes	\$1,075,000	2.39-2.71%

Principal and interest requirements for debt outstanding at December 31, 2004 is as follows:

<u>Year</u> <u>Ended</u>	<u>Bond Anticipation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$1,075,000	\$23,435	\$1,098,435

8. INCOME TAX

The Village levies an 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.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

9. INTERFUND TRANSFERS/ADVANCES

Unrestricted receipts collected in the general fund are transferred to finance various programs accounted for in other funds in accordance with budgetary authorizations. All requirements of the Ohio Revised Code were followed. Advances are not required to be budgeted and are, therefore excluded from the Budgetary Activity footnote 4.

10. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Management believes there are no pending claims or lawsuits.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**The Village Council
Village of Fairfax
5903 Hawthorne Avenue
Cincinnati, Ohio 45227**

We have audited the financial statements of the Village of Fairfax, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 22, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated December 22, 2005.

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, grant agreements and other matters, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, noted certain instances of immaterial noncompliance which we have reported to the management of the Village in a separate letter dated December 22, 2005.

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

Charles E. Harris and Associates, Inc.
December 22, 2005

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
For the Years Ended December 31, 2004 and 2003**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Ohio Rev. Code 5705.41(B)- Expenditures exceeded appropriations.	Yes	Expenditures were within appropriations.



**Auditor of State
Betty Montgomery**

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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
APRIL 4, 2006**