

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

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



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Fairfax, Hamilton County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* 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 *Report of Independent Accountants* 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 12, 2009

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**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2008 & 2007**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To Village Council:

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, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. 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 years ended December 31, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Fairfax, Hamilton County, as of December 31, 2008 and 2007, 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 years ended December 31, 2008 and 2007. 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 August 7, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

August 7, 2009

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, 2008

	Governmental Fund Types			Fiduciary Fund Type	Total Memorandum Only
	General	Special Revenue	Capital Projects	Agency	
Receipts:					
Property and Local Taxes	\$ 157,507	\$ 6,015	\$ -	\$ 217,243	\$ 380,765
Income Taxes	2,321,663	-	-	-	2,321,663
Intergovernmental	153,970	96,226	366,401	-	616,597
Charges for Services	25,151	-	-	-	25,151
Fines, Licenses and Permits	231,619	21,878	-	152,380	405,877
Interest	29,901	1,068	-	-	30,969
Other	950,889	28,912	-	30,000	1,009,801
Total Receipts	3,870,700	154,099	366,401	399,623	4,790,823
Disbursements:					
Security of Persons & Property	855,235	16,658	-	-	871,893
Public Health Services	1,724	-	-	-	1,724
Leisure Time Activities	74,025	279	-	-	74,304
Community Environment	46,564	2,500	-	-	49,064
Basic Utility Services	200,529	-	-	-	200,529
Transportation	150,769	103,765	-	-	254,534
General Government	883,955	14,902	-	-	898,857
Capital Outlay	-	-	559,668	-	559,668
Debt Service:					
Principal	18,584	-	690,000	-	708,584
Interest	1,227	-	34,757	-	35,984
Total Disbursements	2,232,612	138,104	1,284,425	-	3,655,141
Total Receipts Over/(Under) Disbursements	1,638,088	15,995	(918,024)	399,623	1,135,682
Other Financing Sources/(Uses):					
Advances-In	-	-	36,000	-	36,000
Advances-Out	(36,000)	-	-	-	(36,000)
Transfers-In	2,783	-	790,000	-	792,783
Transfers-Out	(790,000)	-	(2,783)	-	(792,783)
TIF Payments	-	-	-	(217,243)	(217,243)
Distribution of Fines	-	-	-	(151,636)	(151,636)
Total Other Financing Sources/(Uses)	(823,217)	-	823,217	(368,879)	(368,879)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	814,871	15,995	(94,807)	30,744	766,803
Fund Cash Balance, January 1	1,091,866	165,930	120,997	13,681	1,392,474
Fund Cash Balance, December 31	\$ 1,906,737	\$ 181,925	\$ 26,190	\$ 44,425	\$ 2,159,277
Reserve for Encumbrances, December 31	\$ 6,813	\$ 528	\$ -	\$ -	\$ 7,341

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, 2007

	Governmental Fund Types			Fiduciary Fund Type	Total Memorandum Only
	General	Special Revenue	Capital Projects	Agency	
Receipts:					
Property and Local Taxes	\$ 213,548	\$ 6,244	\$ -	\$ -	\$ 219,792
Income Taxes	2,240,525	-	-	-	2,240,525
Intergovernmental	100,586	84,456	2,199,198	-	2,384,240
Charges for Services	21,627	-	-	-	21,627
Fines, Licenses and Permits	147,886	21,558	-	126,420	295,864
Interest	47,736	1,551	-	-	49,287
Other	53,895	28,478	-	3,012	85,385
Total Receipts	2,825,803	142,287	2,199,198	129,432	5,296,720
Disbursements:					
Security of Persons & Property	761,657	5,550	-	-	767,207
Public Health Services	3,347	-	-	-	3,347
Leisure Time Activities	87,656	299	-	-	87,955
Community Environment	42,327	500	-	-	42,827
Basic Utility Services	164,193	-	-	-	164,193
Transportation	127,117	184,114	-	-	311,231
General Government	879,154	3,536	-	-	882,690
Capital Outlay	-	27,895	2,645,161	-	2,673,056
Debt Service:					
Principal	17,434	-	180,000	-	197,434
Interest	2,377	-	33,852	-	36,229
Total Disbursements	2,085,262	221,894	2,859,013	-	5,166,169
Total Receipts Over/(Under) Disbursements	740,541	(79,607)	(659,815)	129,432	130,551
Other Financing Sources/(Uses):					
Advances-In	-	21,469	-	-	21,469
Advances-Out	(21,469)	-	-	-	(21,469)
Transfers-In	-	25,726	543,128	-	568,854
Transfers-Out	(568,854)	-	-	-	(568,854)
Distribution of Fines	-	-	-	(126,420)	(126,420)
Total Other Financing Sources/(Uses)	(590,323)	47,195	543,128	(126,420)	(126,420)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	150,218	(32,412)	(116,687)	3,012	4,131
Fund Cash Balance, January 1	941,648	198,342	237,684	10,669	1,388,343
Fund Cash Balance, December 31	\$ 1,091,866	\$ 165,930	\$ 120,997	\$ 13,681	\$ 1,392,474
Reserve for Encumbrances, December 31	\$ 1,059	\$ 17,124	\$ -	\$ -	\$ 18,183

See Accompanying Notes to the Financial Statements.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

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, 2008 and 2007**

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 fund:

- Street Construction, Maintenance and Repair Fund- Receives Motor vehicle and gasoline taxes for constructing, maintaining and repairing Village roads.

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 Road Phase II-Receives grants and transfers for the General Fund for the improvement of the Red Bank Road Project.
- Red Bank Road Debt Service-Receives transfers from the General Fund to pay debt service related to the Red Bank Road Project.

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 significant Fiduciary Funds:

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Agency Funds:

- Mayor's Court- This fund accounts for receipts and disbursements of the Mayor's Court.
- Lucas/Ziegler Scholarship Fund- Receives money for scholarships.
- Tax Increment Financing Fund- This fund receives payments in lieu of taxes from real property parcels enrolled in the tax increment financing program. These monies are used to finance the costs of public improvements and are distributed to local school districts.

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.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS – (Continued)

Budget receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2007 and 2008. 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.

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.

F. 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.

G. 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.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

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>2008</u>	<u>2007</u>
Demand deposits	<u>\$2,159,277</u>	<u>\$ 1,392,474</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.

3. PROPERTY TAXES

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.

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

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.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

4. BUDGETARY ACTIVITY

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

<u>Fund:</u>	<u>2008 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 3,847,618	\$ 3,873,483	\$ 25,865
Special Revenue Funds	853,067	154,099	(698,968)
Capital Projects Fund	2,831,423	1,192,401	(1,639,022)

<u>Fund:</u>	<u>2008 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General Fund	\$ 3,387,001	\$ 3,029,425	\$ 357,576
Special Revenue Funds	880,409	138,632	741,777
Capital Projects Fund	2,224,839	1,287,208	937,631

<u>Fund:</u>	<u>2007 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 3,229,080	\$ 2,825,803	\$ (403,277)
Special Revenue Funds	215,000	168,013	(46,987)
Capital Projects Fund	4,376,359	2,742,326	(1,634,033)

<u>Fund:</u>	<u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General Fund	\$ 3,116,712	\$ 2,655,175	\$461,537
Special Revenue Funds	400,429	239,018	161,411
Capital Projects Fund	4,606,740	2,859,013	1,744,727

Advances-In and Advances-Out are not required to be budgeted as receipts and expenditures, therefore are excluded from the budgeted amounts above.

The Village was in violation of Ohio Revised Code section 5705.36 which requires an amended certificate be obtained when actual receipts are less than budgeted receipts and the deficit reduces available resources below the current level of appropriation. The Village was in violation of Ohio Revised Code section 5705.41(B) which provides that expenditures plus encumbrances shall not exceed appropriations.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

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 24%. OPERS members contributed 9.5% in 2007 and 10.0% in 2008 of their gross pay while the Village contributed an amount equal to 13.85% in 2007 and 14.00% in 2008 of covered payroll. The Village paid all required contributions through 2008.

6. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

RISK POOL MEMBERSHIP

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 over 600 Ohio governments.

Pursuant to Section 2744.081 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. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of reinsuring no less than 90% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers.

Effective September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. Effective November 1, 2005, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

In 2002, the Plan elected to participate in a loss corridor deductible in its first \$500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 55%, the Plan would pay all the losses incurred related to this treaty up to the next 10% of premiums earned.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

6. RISK MANAGEMENT – (Continued)

Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003, the corridor is for losses paid between 62% and 67% of premiums earned. Effective November, 2004, the corridor is for losses paid between 65% and 70% of premiums earned.

The Pool's audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and member's equity at December 31:

	<u>2008</u>	<u>2007</u>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>5,286,781</u>	<u>4,273,553</u>
Member's Equity	<u>\$ 5,184,333</u>	<u>\$ 6,862,901</u>

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

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

7. DEBT

The Village retired Bond Anticipation Notes in the amount of \$870,000 and paid off a capital lease in the amount of \$36,018 in 2008 and 2007.

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, 2008 and 2007**

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. A transfer from General Fund in 2007 to the Red Bank Phase II fund was unused and returned to the General Fund in 2008. All requirements of the Ohio Revised Code requirements were followed.

All advances were made in accordance with the provisions of the Ohio Revised Code.

10. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
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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*

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

To Village Council:

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, 2008 and 2007, and have issued our report thereon dated August 7, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-FAIR-01 and 02.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated August 7, 2009.

This report is intended solely for the information and use of the audit committee, 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.

August 7, 2009

VILLAGE OF FAIRFAX
HAMILTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

Finding Number: 2008-FAIR-01

Non-Compliance Citation

Amended Certificates Not Obtained

Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate if the legislative authority intends to appropriate and expend excess revenue. Ohio Rev. 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 in the official certificate of estimated resources and the deficiency will reduce available resources below the current level of appropriation. Also, this section requires an increased amended certificate if the fiscal officer intends to expend excess resources. Contrary to this requirement, an amended certificate of estimated resources was not obtained for the following funds:

<u>Fund</u>	<u>2008</u>		<u>Appropriations</u>
	<u>Estimated Receipts</u>	<u>Revenue Variance</u>	
Special-Gateway Grant	\$119,500	\$(119,500)	\$120,000
Special-Little Duck Creek	\$595,824	\$(595,824)	\$574,355
Capital-Big Duck	\$191,000	\$(126,000)	\$191,000
Capital-Wooster Pike	\$12,000	\$(12,000)	\$12,000
Capital-Block Grant	\$43,182	\$(43,182)	\$68,635
Capital-Clean Ohio	\$30,593	\$(30,593)	\$30,593
Capital-Block Grant	\$36,000	\$(36,000)	\$36,000
Capital-Red Bank Phase II	\$1,543,288	\$(1,176,887)	\$1,636,251
Capital-Block Grant II	\$50,000	\$(50,000)	\$50,000
Capital-Traffic Signal	\$200,000	\$(200,000)	\$200,000

<u>Fund</u>	<u>2007</u>		<u>Appropriations</u>
	<u>Estimated Receipts</u>	<u>Revenue Variance</u>	
Special-Gateway Grant	\$69,500	\$(69,500)	\$70,000
Capital-Big Duck Creek	\$191,000	\$(126,000)	\$191,000
Capital-Red Bank	\$182,565	\$(37,000)	\$182,565
Capital-Block Grant	\$56,381	\$(31,381)	\$56,381
Capital-Wooster Pike	\$15,000	\$(15,000)	\$12,000
Capital-Fair Lane	\$200,000	\$(56,598)	\$200,000
Capital-Red Bank Phase II	\$3,681,413	\$(1,396,339)	\$3,905,294
Capital-Block Grant II	\$50,000	\$(50,000)	\$50,000

VILLAGE OF FAIRFAX
HAMILTON COUNTY
SCHEDULE OF FINDINGS - Continued
DECEMBER 31, 2006 AND 2005

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

Finding Number: 2008-FAIR-01 - Continued

We noted that in each case, actual expenditures did not exceed the amount of available resources.

We recommend that management request a reduced amended certificate of estimated resources when they determine that receipts will be below their official certificate of estimated resources and the deficit reduces their estimated resources below the current level of appropriations. We further recommend that they request an increased amended certificate of estimated resources when they determine that the budgeted receipts will be more than the official certificate of estimated resources and they intend to appropriate and expend the excess revenue.

Management Response:

Management will regularly compare budgetary information and obtain the proper certificates when necessary.

Finding Number: 2008-FAIR-02

Non-Compliance Citation

Expenditures Exceeded Appropriations

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. The following funds had total expenditures plus encumbrances expended money in excess of appropriations at the fund level:

<u>2007</u>			
<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Capital Projects-Red Bank Debt Service	\$-0-	\$163,852	\$(163,852)
Special Revenue-Little Duck Creek	\$-0-	\$27,895	\$(27,895)

Since these funds were over appropriated at the fund level, the legal level of control violations were not disclosed. These violations occurred because the County Auditor received the Village's amended certificate late and refused to certify their appropriations.

We recommend Council and the Fiscal Officer submit their amended certificates on a more timely basis.

Management Response:

Management concurs and has taken steps to avoid a recurrence of the above mentioned violation.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2008 and 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-Fairfax-01	OAC 117-2-02(A)- Principal & interest payments missclassified	Yes	Finding no longer valid
2006-Fairfax-02	ORC 5705.36-Amended Certificate not obtained	No	Repeated as Finding 2008-FAIR-01
2006-Fairfax-03	ORC 5705.41(B)- Expenditures exceeded appropriations	No	Repeated as Finding 2008-FAIR-02



Mary Taylor, CPA
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
DECEMBER 1, 2009