



**VILLAGE OF FAIRFAX
HAMILTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF FAIRFAX
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the 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, 2000 and 1999. 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 *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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2000 and 1999, 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 August 28, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 28, 2001

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**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, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,920,677	\$0	\$0	\$1,920,677
Intergovernmental Receipts	125,693	73,979	50,000	249,672
Charges for Services	16,731			16,731
Fines, Licenses and Permits	109,985	28,586		138,571
Earnings on Investments	82,609			82,609
Miscellaneous	49,581	2,574	2,450	54,605
	<u>2,305,276</u>	<u>105,139</u>	<u>52,450</u>	<u>2,462,865</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	957,926	19,911		977,837
Public Health Services	3,583			3,583
Leisure Time Activities	91,147			91,147
Community Environment	11,565			11,565
Basic Utility Services	147,986			147,986
Transportation	263,800	28,856	6,796	299,452
General Government	491,288			491,288
Capital Outlay			551,048	551,048
	<u>1,967,295</u>	<u>48,767</u>	<u>557,844</u>	<u>2,573,906</u>
Total Receipts Over/(Under) Disbursements	<u>337,981</u>	<u>56,372</u>	<u>(505,394)</u>	<u>(111,041)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			408,000	408,000
Transfers-Out	(408,000)			(408,000)
	<u>(408,000)</u>	<u>0</u>	<u>408,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(70,019)	56,372	(97,394)	(111,041)
Fund Cash Balances, January 1	1,095,015	110,481	465,351	1,670,847
Fund Cash Balances, December 31	<u>\$1,024,996</u>	<u>\$166,853</u>	<u>\$367,957</u>	<u>\$1,559,806</u>
Reserves for Encumbrances, December 31	<u>\$21,871</u>	<u>\$3,693</u>	<u>\$8,423</u>	<u>\$33,987</u>

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

VILLAGE OF FAIRFAX
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>99,725</u>
Total Non-Operating Cash Receipts	<u>99,725</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>120,631</u>
Total Non-Operating Cash Disbursements	<u>120,631</u>
Net Receipts Over/(Under) Disbursements	(20,906)
Fund Cash Balances, January 1	<u>53,470</u>
Fund Cash Balances, December 31	<u><u>\$32,564</u></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, 1999**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,948,154	\$0	\$0	\$1,948,154
Intergovernmental Receipts	171,830	79,659	365,625	617,114
Charges for Services	14,039			14,039
Fines, Licenses, and Permits	66,962	8,317		75,279
Miscellaneous	79,785	9,016		88,801
 Total Cash Receipts	 2,280,770	 96,992	 365,625	 2,743,387
Cash Disbursements:				
Current:				
Security of Persons and Property	931,713	24,088		955,801
Public Health Services	3,548			3,548
Leisure Time Activities	130,854			130,854
Community Environment	12,783			12,783
Basic Utility Services	135,613			135,613
Transportation	106,915	82,046		188,961
General Government	530,471			530,471
Capital Outlay	100,000		77,341	177,341
 Total Cash Disbursements	 1,951,897	 106,134	 77,341	 2,135,372
 Total Receipts Over/(Under) Disbursements	 328,873	 (9,142)	 288,284	 608,015
Other Financing Receipts/(Disbursements):				
Transfers-In			5,000	5,000
Transfers-Out	(5,000)			(5,000)
 Total Other Financing Receipts/(Disbursements)	 (5,000)	 0	 5,000	 0
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 323,873	 (9,142)	 293,284	 608,015
 Fund Cash Balances, January 1	 771,142	 119,623	 172,067	 1,062,832
 Fund Cash Balances, December 31	 \$1,095,015	 \$110,481	 \$465,351	 \$1,670,847
 Reserves for Encumbrances, December 31	 \$37,334	 \$797	 \$0	 \$38,131

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

VILLAGE OF FAIRFAX
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>94,308</u>
Total Non-Operating Cash Receipts	<u>94,308</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>102,829</u>
Total Non-Operating Cash Disbursements	<u>102,829</u>
Net Receipts Over/(Under) Disbursements	(8,521)
Fund Cash Balances, January 1	<u>61,991</u>
Fund Cash Balances, December 31	<u><u>\$53,470</u></u>

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

**VILLAGE OF FAIRFAX
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Fairfax, Hamilton County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, park operations (leisure time activities), police and emergency services, and road maintenance.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of 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).

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

C. Cash and Deposits

Certificates of deposit and the repurchase agreement are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from 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.

Drug Law Enforcement Fund - This fund receives fine and forfeiture money for the enforcement and education of drug prevention.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Big Duck Creek Project Funds - These two funds are set to receive money from the General Fund and money from the County to purchase properties along the Creek because of Creek flooding.

Wooster Bridge Fund - This fund received money from the County for the repairs and widening of the Wooster Pike Bridge.

4. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Agency Fund:

Mayor's Court Fund - This fund receives money from fines and forfeitures which are disbursed to the Village and to the State.

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 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.

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 commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. The Village did not encumber certain commitments required by Ohio law. However, the Village had no material outstanding encumbrances at December 31, 2000 and 1999.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave is not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Demand Deposits	\$ 72,919	\$ 68,280
Certificates of Deposit	635,090	0
Repurchase Agreement	<u>884,361</u>	<u>1,656,037</u>
Total deposits	<u>\$ 1,592,370</u>	<u>\$ 1,724,317</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool, or (3) insured by surety bonds.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,890,172	\$ 2,305,276	\$ 415,104
Special Revenue	70,000	105,139	35,139
Capital Projects	<u>685,000</u>	<u>460,450</u>	<u>(224,550)</u>
Total	<u>\$ 2,645,172</u>	<u>\$ 2,870,865</u>	<u>\$ 225,693</u>

**VILLAGE OF FAIRFAX
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,266,159	\$ 2,397,166	\$ (131,007)
Special Revenue	112,597	52,460	60,137
Capital Projects	865,153	566,267	298,886
Total	<u>\$ 3,243,909</u>	<u>\$ 3,015,893</u>	<u>\$ 228,016</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,066,827	\$ 2,280,770	\$ 213,943
Special Revenue	85,000	96,992	11,992
Capital Projects	473,000	370,625	(102,375)
Total	<u>\$ 2,624,827</u>	<u>\$ 2,748,387</u>	<u>\$ 123,560</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,263,941	\$ 1,994,231	\$ 269,710
Special Revenue	117,345	106,931	10,414
Capital Projects	635,125	77,341	557,784
Total	<u>\$ 3,016,411</u>	<u>\$ 2,178,503</u>	<u>\$ 837,908</u>

Contrary to Ohio law, appropriations exceeded estimated resources in fiscal year 2000 in the following funds: Street Construction, Maintenance and Repair Fund by \$18,320, the Drug Law Enforcement Fund by \$20,000, the Red Bank Road Widening Project Fund by \$57, the Duck Creek Project Grant Fund by \$285,768, and the Millennium Park Fund by \$7,260. In fiscal year 1999, appropriations exceeded estimated resources in the Red Bank Road Widening Project Fund by \$57.

Contrary to Ohio law, expenditures plus encumbrances exceeded appropriations in fiscal year 2000 in the General Fund by \$131,007 and in the Millennium Park Fund by \$8,873. In fiscal year 1999, expenditures plus encumbrances exceeded appropriations in the Street Construction, Maintenance and Repair Fund by \$333.

**VILLAGE OF FAIRFAX
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX

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

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. RETIREMENT SYSTEMS

The Village's full-time police officers belong to the Police and Firemen's Disability and Pension Fund (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are 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 also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PFDPF contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% in 2000 and 13.55% in 1999 of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

7. CONTINGENT LIABILITIES

The Village is the defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

To the 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, 2000 and 1999, and have issued our report thereon dated August 28, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30431-001 through 2000-30431-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 28, 2001.

Internal Control 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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-30431-001 through 2000-30431-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 28, 2001.

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

Jim Petro
Auditor of State

August 28, 2001

**VILLAGE OF FAIRFAX
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-30431-001

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

Of the transactions reviewed, thirty-five percent were not properly certified as to the availability of funds at the time of the commitment and they did not meet the exceptions provided in the Code.

We recommend the Clerk certify the availability of funds when a commitment is made. Where prior certification is not feasible, we encourage the Clerk to use Then and Now Certificates or blanket purchase orders.

FINDING NUMBER 2000-30431-002

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. Additionally, **Ohio Rev. Code, Section 5705.41(B)**, prohibits a Village from making any expenditure of money unless it has been properly appropriated. The sum of the Village's total expenditures and encumbrances exceeded appropriations in the following funds at December 31:

<u>Year</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures plus Encumbrances</u>	<u>Variance</u>
1999	Street Construction, Maint. and Repair	\$ 81,985	\$ 82,318	\$ 333
2000	General Fund	2,266,159	2,397,166	131,007
2000	Millennium Park	7,260	16,133	8,873

**FINDING NUMBER 2000-30431-002
 (Continued)**

This means the Village expended money that was not properly appropriated. Further, the Village's fiscal officer could not certify that the total expenditures and encumbrances in these three funds were lawfully appropriated for such purpose and were in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. However, the variances did not result in negative cash fund balances for these funds.

We recommend the Village monitor its appropriations and expenditures on a monthly basis, and the Council approve any amendments needed.

FINDING NUMBER 2000-30431-003

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.39, states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. Appropriations exceeded estimated resources by \$57 in the Red Bank Road Widening Project Fund at December 31, 1999. Appropriations exceeded estimated resources at December 31, 2000 in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Street Construction, Maintenance and Repair	\$ 73,480	\$ 91,800	\$ 18,320
Drug Law Enforcement	0	20,000	20,000
Red Bank Road Widening Project	172,068	172,125	57
Duck Creek Project Grant	0	285,768	285,768
Millennium Park	0	7,260	7,260

We recommend the Village prepare amendments to the Certificate of Estimated Resources as necessary. The Certificate of Estimated Resources should be evaluated each time an appropriation amendment is considered to determine if there are adequate financial resources to cover anticipated expenditures.

FINDING NUMBER 2000-30431-004

Reportable Condition - Ledgers

In fiscal year 1999, the Village maintained manual ledgers. The 1999 receipt ledger and the 1999 appropriation ledger did not reconcile with the cash journal and the annual report. Also, 1999 ending balances on the annual report did not carry forward to the 2000 beginning balances. The annual report should reflect transactions, classifications, totals, and balances in the receipt ledger, the appropriation ledger, and the cash journal. When these records are not reconciled to each other, misappropriation of assets could remain undetected and the Village does not have an accurate record of its financial status.

In the middle of fiscal year 2000, the Village converted from manual ledgers to the Uniform Accounting Network (UAN) provided by the Auditor of State. This software uses detailed information to create an annual report. We recommend the Village monitor the accuracy of information entered into the system throughout the year.

FINDING NUMBER 2000-30431-005

Reportable Condition - Cash Journal

The Village of Fairfax had the following weaknesses related to their cash journal and related records:

- The cash book was not totaled by month or year for fiscal year 1999.
- In fiscal year 1999, the annual report balances did not agree to the cash journal.
- Outstanding check lists were not properly maintained monthly for fiscal years 2000 and 1999.
- In fiscal year 2000, the Village switched computer systems to UAN - the amount for "other adjusting factors" did not have supporting documentation.
- No evidence was noted of review of the bank reconciliation.

Without a complete and accurate cash book, outstanding check lists, and reconciliations, assets could be misappropriated and errors may not be found in a timely manner. We recommend the Village do the following:

- Continue to utilize the UAN system which maintains a month/year-to-date total columns.
- Maintain a proper outstanding check list. Checks clearing the bank should be properly entered into the system and old outstanding checks reviewed periodically to help maintain a complete and accurate outstanding check list. The UAN system does allow the Village to track checks written by the system; however, entering cancelled checks in the system must be reviewed and properly input. The Clerk must also maintain an accurate list of outstanding payroll checks monthly and document these checks in "other adjusting factors" due to payroll checks being processed by a third party.
- All adjusting factors should be explained monthly by the Clerk and supporting documentation maintained. UAN allows the Village to enter adjusting factors into the reconciliation for unusual occurrences and miscellaneous items that could occur in the monthly reconciliation.
- The Clerk and Council should review and sign the monthly bank reconciliations denoting a review has been performed. They should compare the reconciliation with the cash journal and any reconciling items to ensure a complete and accurate reconciliation was performed.

FINDING NUMBER 2000-30431-006

Reportable Condition - Mayor's Court

The following weaknesses were noted in the Mayor's Court:

- The cash book did not include any disbursements or receipts other than fines and forfeitures.
- Bonds were not posted when received, nor deposited. The bond is returned in cash when the defendant's obligation is fulfilled. The bond is only deposited and posted to receipts when the bond is forfeited.

FINDING NUMBER 2000-30431-006
(Continued)

- The outstanding bond list was not complete. During our cash count as of July 12, 2001, it was noted that more money was in the safe for bond payments than was listed on the outstanding bond list; there was \$1,150 in the safe and \$900 was listed on the outstanding bond list. At December 31, 2000, the Mayor's Court Clerk did not maintain an outstanding bond list and a recreated bond list was made from prior bond records.
- Monthly reconciliations were not performed for the Mayor's Court account.

Without a complete and accurate cash book, outstanding bond list and reconciliation, assets could be misappropriated and errors may not be found in a timely manner. We recommend the Village do the following:

- Maintain a cash book. The cash book should be a chronological record of all cash transactions processed by the Court, and should include disbursements as well as receipts.
- Deposit bonds received by the Mayor's Court and maintain a list of outstanding bonds. The list of outstanding bonds should be the reconciling factor in the monthly reconciliation. When a bond is returned, the Village should issue a check for the bond returned and post the transaction in the cash journal.
- Maintain an accurate outstanding bond list monthly which will be a reconciling factor in the Mayor's Court bank reconciliation.
- The Mayor's Court Clerk should prepare a monthly reconciliation with review performed by the Mayor or Clerk for accuracy and timeliness (denoted by signature of the reviewer).



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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
OCTOBER 2, 2001**