

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

**DECEMBER 31, 2012 AND 2011**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Fairfax, Hamilton County, prepared by Hurst, Kelly & Company LLC, for the audit period January 1, 2011 through December 31, 2012. 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.

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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 9, 2014

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VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO

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**INDEPENDENT AUDITOR'S REPORT**

Village of Fairfax  
5903 Hawthorne Avenue  
Fairfax, Ohio 45227

To Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Fairfax, Hamilton County, (the Village) as of and for the years ended December 31, 2012 and 2011.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting the financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting the financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on the financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared the financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

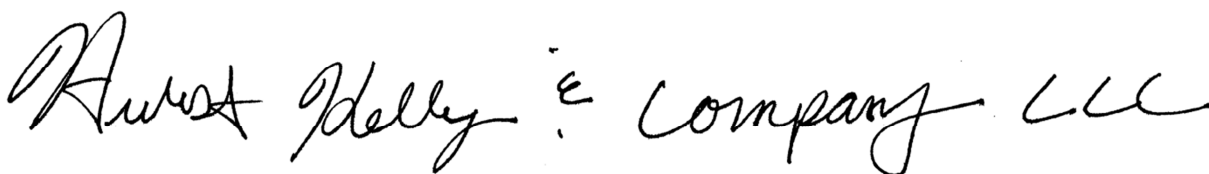
In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Fairfax, Hamilton County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Loveland, Ohio  
February 4, 2014

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Project	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$ 124,696	\$ 6,132	\$ -	\$ 130,828
Payments in Lieu of Taxes	-	718,343	-	718,343
Municipal Income Tax	2,836,293	-	-	2,836,293
Intergovernmental	74,509	523,537	602,515	1,200,561
Charges for Services	19,223	-	-	19,223
Fines, Licenses and Permits	137,976	8,208	-	146,184
Earnings on Investments	4,884	46	-	4,930
Miscellaneous	28,340	29,351	6,800	64,491
	<u>3,225,921</u>	<u>1,285,617</u>	<u>609,315</u>	<u>5,120,853</u>
<b>Total Cash Receipts</b>				
	<u>3,225,921</u>	<u>1,285,617</u>	<u>609,315</u>	<u>5,120,853</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	964,904	11,208	-	976,112
Public Health Services	3,331	-	-	3,331
Leisure Time Activities	58,219	-	-	58,219
Community Environment	55,789	-	-	55,789
Basic Utility Service	157,926	-	-	157,926
Transportation	244,478	57,212	279,829	581,519
General Government	921,504	1,821	-	923,325
Capital Outlay	10,352	531,462	645,720	1,187,534
TIF Compensation Payments	-	718,343	-	718,343
	<u>2,416,503</u>	<u>1,320,046</u>	<u>925,549</u>	<u>4,662,098</u>
<b>Total Cash Disbursements</b>				
	<u>2,416,503</u>	<u>1,320,046</u>	<u>925,549</u>	<u>4,662,098</u>
<b>Total Receipts Over (Under) Disbursements</b>	<u>809,418</u>	<u>(34,429)</u>	<u>(316,234)</u>	<u>458,755</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers-In	20,366	143,123	279,829	443,318
Transfers-Out	(422,952)	-	(20,366)	(443,318)
Advances-In	-	-	43,205	43,205
Advances-Out	(43,205)	-	-	(43,205)
	<u>(445,791)</u>	<u>143,123</u>	<u>302,668</u>	<u>-</u>
<b>Total Other Financing Receipts (Disbursements)</b>				
	<u>(445,791)</u>	<u>143,123</u>	<u>302,668</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>363,627</u>	<u>108,694</u>	<u>(13,566)</u>	<u>458,755</u>
<b>Fund Cash Balances, January 1</b>	<u>1,067,106</u>	<u>252,059</u>	<u>182,536</u>	<u>1,501,701</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	360,753	18,970	379,723
Committed	3,614	-	150,000	153,614
Assigned	1,471	-	-	1,471
Unassigned	1,425,648	-	-	1,425,648
	<u>\$ 1,430,733</u>	<u>\$ 360,753</u>	<u>\$ 168,970</u>	<u>\$ 1,960,456</u>

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



**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Project	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$ 144,350	\$ 6,205	\$ -	\$ 150,555
Payments in Lieu of Taxes	-	716,976	-	716,976
Municipal Income Tax	2,639,802	-	-	2,639,802
Intergovernmental	89,030	96,182	-	185,212
Charges for Services	22,167	-	-	22,167
Fines, Licenses and Permits	98,536	6,978	-	105,514
Earnings on Investments	12,278	4	-	12,282
Miscellaneous	20,370	29,306	20,217	69,893
	<u>3,026,533</u>	<u>855,651</u>	<u>20,217</u>	<u>3,902,401</u>
<b>Total Cash Receipts</b>				
	<u>3,026,533</u>	<u>855,651</u>	<u>20,217</u>	<u>3,902,401</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	943,911	5,711	-	949,622
Public Health Services	3,325	-	-	3,325
Leisure Time Activities	65,802	-	-	65,802
Community Environment	50,304	-	-	50,304
Basic Utility Service	168,942	-	-	168,942
Transportation	676,408	66,567	325,161	1,068,136
General Government	920,807	-	-	920,807
Capital Outlay	47,230	17,152	8,247	72,629
TIF Compensation Payments	-	716,976	-	716,976
	<u>2,876,729</u>	<u>806,406</u>	<u>333,408</u>	<u>4,016,543</u>
<b>Total Cash Disbursements</b>				
	<u>2,876,729</u>	<u>806,406</u>	<u>333,408</u>	<u>4,016,543</u>
<b>Total Receipts Over (Under) Disbursements</b>	<u>149,804</u>	<u>49,245</u>	<u>(313,191)</u>	<u>(114,142)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers-In	4,540	-	475,161	479,701
Transfers-Out	(475,161)	(4,540)	-	(479,701)
Advances-In	61,218	-	-	61,218
Advances-Out	-	(58,218)	(3,000)	(61,218)
	<u>(409,403)</u>	<u>(62,758)</u>	<u>472,161</u>	<u>-</u>
<b>Total Other Financing Receipts (Disbursements)</b>				
	<u>(409,403)</u>	<u>(62,758)</u>	<u>472,161</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(259,599)</u>	<u>(13,513)</u>	<u>158,970</u>	<u>(114,142)</u>
<b>Fund Cash Balances, January 1, Restated</b>	<u>1,326,705</u>	<u>265,572</u>	<u>23,566</u>	<u>1,615,843</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	252,059	32,536	284,595
Committed	8,669	-	150,000	158,669
Assigned	14,349	-	-	14,349
Unassigned	1,044,088	-	-	1,044,088
	<u>\$ 1,067,106</u>	<u>\$ 252,059</u>	<u>\$ 182,536</u>	<u>\$ 1,501,701</u>

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

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	\$ 140,629
Total Non-Operating Cash Receipts	140,629
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	138,812
Total Non-Operating Cash Disbursements	138,812
Net Receipts Over (Under) Disbursements	1,817
Fund Cash Balances, January 1	29,397
<b>Fund Cash Balances, December 31</b>	<b>\$ 31,214</b>

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

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	\$ 75,166
Total Non-Operating Cash Receipts	75,166
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	74,213
Total Non-Operating Cash Disbursements	74,213
Net Receipts Over (Under) Disbursements	953
Fund Cash Balances, January 1	28,444
<b>Fund Cash Balances, December 31</b>	<b>\$ 29,397</b>

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

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

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**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

The Village participates in the Ohio Plan Risk Management, Inc (OPRM) which is a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

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**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

Little Duck Creek Fund/Little Duck Creek 2011 Fund – These funds are used to account for flooding mitigation near the Little Duck Creek.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

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

Major Repairs Fund – This fund accounts for major capital projects undertaken within the Village.

**4. Fiduciary Funds**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

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**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

**F. Fund Balance**

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

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. Change in Accounting Principle and Restatement of Opening Fund Cash Balances**

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance December 31, 2010
General	\$ 1,317,714	\$ 8,991	\$ 1,326,705
Special Revenue	274,563	(8,991)	265,572
	\$ 1,592,277	\$ -	\$ 1,592,277

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

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

	2012	2011
Demand Deposits	\$ 1,546,525	\$ 1,087,657
Certificates of Deposit	445,145	443,441
Total Deposits	\$ 1,991,670	\$ 1,531,098

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

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 is as follows:

2012 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 3,238,668	\$ 3,246,287	\$ 7,619
Special Revenue	1,427,393	1,428,740	1,347
Capital Project	975,554	932,349	(43,205)
Total	<u>\$ 5,641,615</u>	<u>\$ 5,607,376</u>	<u>\$ (34,239)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 3,160,801	\$ 2,884,131	\$ 276,670
Special Revenue	1,388,343	1,359,954	28,389
Capital Project	945,915	945,915	-
Total	<u>\$ 5,495,059</u>	<u>\$ 5,190,000</u>	<u>\$ 305,059</u>

2011 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 3,251,034	\$ 3,092,291	\$ (158,743)
Special Revenue	918,329	855,651	(62,678)
Capital Project	495,378	495,378	-
Total	<u>\$ 4,664,741</u>	<u>\$ 4,443,320</u>	<u>\$ (221,421)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 3,762,259	\$ 3,366,239	\$ 396,020
Special Revenue	880,898	870,078	10,820
Capital Project	353,774	336,408	17,366
Total	<u>\$ 4,996,931</u>	<u>\$ 4,572,725</u>	<u>\$ 424,206</u>

**5. Property Tax**

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

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

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



**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

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

**6. Local Income Tax**

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

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

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**8. Risk Management – Risk Pool Membership**

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and members' equity at December 31, 2012 and 2011:

	<b>2012</b>	<b>2011</b>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. Interfund Activity**

**A. Transfers**

Interfund transfers for 2011 and 2012 consisted of the following:

<b>2011</b>		
<b>Transfer from Fund</b>	<b>Transfer to Fund</b>	<b>Amount</b>
General Fund	Major Repairs (Capital Project Fund)	\$ 150,000
General Fund	Wooster Pike Fund (Capital Project)	325,161
Little Duck Creek Fund (Special Revenue)	General Fund	4,540
		\$ 479,701
<b>2012</b>		
<b>Transfer from Fund</b>	<b>Transfer to Fund</b>	<b>Amount</b>
General Fund	Little Duck Creek 2011 Fund (Special Revenue)	\$ 143,123
General Fund	Wooster Pike Fund (Capital Project)	279,829
Community Development Fund (Capital Project)	General Fund	20,366
		\$ 443,318

In 2011, the General Fund transferred out funds as noted in the table above to provide funding for various projects that are being accounted for in other funds. The Little Duck Creek Fund transferred funds back to the General Fund as the corresponding projects related to this fund were completed, with the General Fund initially seeding these funds when the projects commenced.

In 2012, the General Fund transferred out funds as noted in the table above to provide funding for various projects that are being accounted for in other funds. The Community Development Fund transferred funds back to the General Fund as the corresponding projects related to this fund were completed, with the General Fund initially seeding these funds when the projects commenced.

**VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

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**B. Advances**

Interfund advances for 2011 and 2012 consisted of the following:

<b>2011</b>		
<b>Advance Out</b>	<b>Advance In</b>	<b>Amount</b>
Little Duck Creek Fund (Special Revenue)	General Fund	\$ 58,218
Community Development Fund (Capital Project)	General Fund	3,000
		<u>\$ 61,218</u>

<b>2012</b>		
<b>Advance Out</b>	<b>Advance In</b>	<b>Amount</b>
General Fund	Wooster Pike Fund (Capital Project)	<u>\$ 43,205</u>

In 2011, the Little Duck Creek Fund and Community Development Fund advanced out funds to the General Fund to repay advances that the General Fund had made to these funds in periods prior to 2011.

In 2012, the General Fund advanced out funds to the Wooster Pike Fund to cover project expenses.

**10. Contingent Liabilities**

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

From time to time, the Village may be subjected to potential and actual litigation. Although management cannot presently determine the outcome of such matters, management believes that the resolution of such matters will not materially adversely impact the Village's financial condition.

**Hurst, Kelly & Company LLC**  
**Certified Public Accountants**  
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Loveland, Ohio 45140  
513.234.0977  
www.hurstkelly.com

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance With *Government Auditing  
Standards***

**INDEPENDENT AUDITOR'S REPORT**

Village of Fairfax  
5903 Hawthorne Avenue  
Fairfax, Ohio 45227

To Village Council:

We have audited, 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, the financial statements of the Village of Fairfax, Hamilton County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated February 4, 2014, in which it is noted that the Village prepared its financial statements on the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is a basis other than accounting principles generally accepted in the United States of America. We also noted that during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

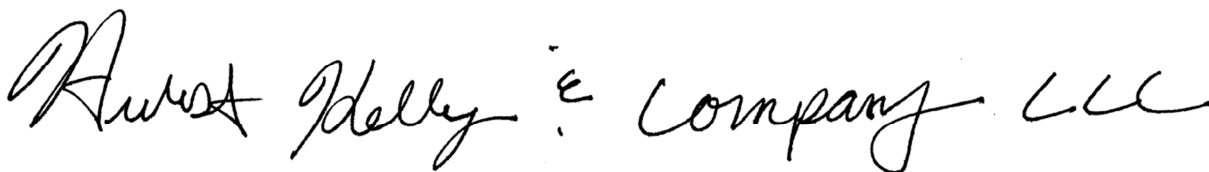
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

We noted certain matters that we have reported to management of the Village in a separate letter dated February 4, 2014.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Loveland, Ohio  
February 4, 2014

VILLAGE OF FAIRFAX  
HAMILTON COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Timely inquiry of outstanding reconciling items on the bank reconciliation.	Partially	Reissued as a management letter comment.
2010-002	Amended Certificates not obtained.	Partially	Reissued as a management letter comment.



# Dave Yost • Auditor of State

**VILLAGE OF FAIRFAX**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 22, 2014**