



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds For the Year Ended December 31, 1999	3
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

THIS PAGE LEFT BLANK INTENTIONALLY



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Fairfield Township
Butler County
6032 Morris Road
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the accompanying financial statements of Fairfield Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 Township 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 Fairfield Township, Butler County, as of December 31, 1999, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

March 15, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$97,965	\$1,179,864			\$1,277,829
Intergovernmental	386,542	2,018,219			2,404,761
Special Assessments		43,449			43,449
Charges for Services		79,998			79,998
Licenses, Permits, and Fees	50,228	1,594			51,822
Fines, Forfeitures, and Penalties	37,199	1,615			38,814
Earnings on Investments	178,283	7,277	\$695	\$1,779	188,035
Other Revenue	101,850	45,041			146,891
	<u>852,067</u>	<u>3,377,058</u>	<u>695</u>	<u>1,779</u>	<u>4,231,598</u>
Cash Disbursements:					
Current:					
General Government	481,441	17,620			499,061
Public Safety		1,152,694			1,152,694
Public Works	31,678	360,326			392,003
Health	21,333				21,333
Conservation - Recreation	6,672				6,672
Capital Outlay	64,378	2,128,059		213,027	2,405,465
	<u>605,502</u>	<u>3,658,699</u>	<u>0</u>	<u>213,027</u>	<u>4,477,228</u>
Total Receipts Over/(Under) Disbursements	<u>246,565</u>	<u>(281,642)</u>	<u>695</u>	<u>(211,248)</u>	<u>(245,630)</u>
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Notes				1,700,000	1,700,000
Other Sources	57,008	2,368			59,376
Other Uses		(50,000)			(50,000)
	<u>57,008</u>	<u>(47,632)</u>	<u>0</u>	<u>1,700,000</u>	<u>1,709,376</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	303,573	(329,274)	695	1,488,752	1,463,746
Fund Cash Balances, January 1	<u>1,947,547</u>	<u>1,822,898</u>	<u>0</u>	<u>0</u>	<u>3,770,445</u>
Fund Cash Balances, December 31	<u>\$2,251,120</u>	<u>\$1,493,624</u>	<u>\$695</u>	<u>\$1,488,752</u>	<u>\$5,234,190</u>
Reserve for Encumbrances, December 31	<u>\$127,790</u>	<u>\$988,523</u>	<u>\$0</u>	<u>\$1,486,973</u>	<u>\$2,603,286</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Fairfield Township, Butler County, Ohio (the Township), 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road maintenance, fire protection and emergency medical services, and police services.

The Township's management believes these financial statements present all activities for which the Township 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 Investments

Certificates of deposit and U.S. Government Securities are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 Township had the following significant Special Revenue Funds:

Fire Levy Fund - This fund receives property tax money for the operation of the fire district.

Police Levy Fund - This fund receives property tax money for the operation of the police district.

3. Debt Service Funds

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level of control, and appropriations may not exceed estimated resources. The Board of Trustees 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 Township to reserve (encumber) appropriations when individual commitments are made.

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

A summary of 1999 budgetary activity appears in Note 3.

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, and in certain circumstances unused sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments 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>1999</u>
<u>Deposits:</u>	
Demand deposits	\$899,017
Certificates of deposits	3,056,308
Total deposits	3,955,325
<u>Investments:</u>	
US Government Securities	1,278,865
Total Investments and deposits	\$5,234,190

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

Investments: U.S. Government securities are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1999 follow:

	<u>1999 Budgeted vs. Actual Receipts</u>		
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$840,620	\$909,075	\$68,455
Special Revenue	4,339,462	3,379,426	(960,036)
Debt Service	694	695	1
Capital Project	<u>1,700,000</u>	<u>1,701,779</u>	<u>1,779</u>
Total	<u>\$6,880,776</u>	<u>\$5,990,975</u>	<u>(\$889,801)</u>

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,303,041	\$733,292	\$569,749
Special Revenue	5,235,498	4,697,222	538,276
Debt Service	0	0	0
Capital Project	<u>1,700,000</u>	<u>1,700,000</u>	<u>0</u>
Total	<u>\$8,238,539</u>	<u>\$7,130,514</u>	<u>\$1,108,025</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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 payment, 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 Township.

5. RETIREMENT SYSTEMS

A. Public Employees Retirement System

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

For 1999, members of PERS paid 8.5% of their gross salaries. The Township contributed an amount equal to 13.55 % of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose social security or the appropriate state system. As of December 31, 1999, the Township's part time firefighters have elected social security. The firefighter's liability is 6.2 percent of wages paid.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1999
(Continued)**

6. RISK MANAGEMENT

The Township is a member of the Ohio Township Association of Risk Management Authority (OTARMA). The OTARMA assumes the risk of loss up to the limits of the Township's policy. OTARMA may assess supplemental premiums. The following risks are covered by OTARMA:

- General liability and casualty
- Public official's liability
- Vehicle
- Police and Fire professional
- Property
- Equipment and Machinery

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

7. CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

THIS PAGE LEFT BLANK INTENTIONALLY



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

Fairfield Township
Butler County
6032 Morris Road
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the accompanying financial statements of Fairfield Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 1999, and have issued our report thereon dated March 15, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, the noncompliance with which could have a direct and material effect on 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-40409-001. In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township'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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-40409-001.

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 risk that misstatement 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 Fairfield Township in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weakness. However, we do not consider the reportable condition described above to be a material weakness.

Fairfield Township
Butler County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

In addition, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 15, 2000.

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

Jim Petro
Auditor of State

March 15, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999**

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

FINDING NUMBER 1999-40409-001

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 9.38, provides that any public official and/or employee who receives public moneys shall deposit said moneys with the Clerk of the Township or properly designated depository on the next business day following the day of receipt if the amount is greater than \$1,000. If the amount does not exceed \$1,000 the deposit may be made on the next business day or pursuant to an adopted policy stating an alternate time period, not to exceed three business days following the day of receipt. Our receipts testing for the collection of fees disclosed that 53% of the receipts for 1999 were not deposited by public officials and/or employees for up to 4 to 14 days after collection. In addition, the Township has not adopted a formal policy establishing an alternative time period for the depositing of money. The Township's failure to deposit money when received and adopting a policy for an alternative time period not only contradicts the Ohio Rev. Code, but also increases the risk of errors going undetected or not being detected in a timely manner.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

FAIRFIELD TOWNSHIP

BUTLER 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 18, 2000**