

FAIRFIELD TOWNSHIP

BUTLER COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008



Mary Taylor, CPA

Auditor of State

Board of Trustees
Fairfield Township
6032 Morris Road
Hamilton, Ohio 45011

We have reviewed the *Independent Auditors' Report* of Fairfield Township, Butler County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 12, 2009

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**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

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**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Fairfield Township
6032 Morris Road
Hamilton Ohio 45011

We have audited the accompanying financial statements of Fairfield Township, Butler County, (the Township), as of and for the year ended December 31, 2008. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and encumbrances of Fairfield Township, Butler County, as of December 31, 2008, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 21, 2009, 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 agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

July 21, 2009

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**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

| | GOVERNMENTAL FUND TYPES | | | | Total (Memorandum Only) |
|--|-------------------------|---------------------|-----------------|---------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$ 602,000 | \$ 5,167,971 | \$ 125,242 | \$ 0 | \$ 5,895,213 |
| Charges for Services | 0 | 292,331 | 0 | 0 | 292,331 |
| Licenses, Permits and Fees | 241,110 | 4,005 | 0 | 0 | 245,115 |
| Fines and Forfeitures | 18,858 | 3,096 | 0 | 0 | 21,954 |
| Intergovernmental Receipts | 559,873 | 849,629 | 0 | 48,252 | 1,457,754 |
| Special Assessments | 0 | 101,029 | 0 | 0 | 101,029 |
| Earnings on Investments | 256,683 | 7,127 | 0 | 0 | 263,810 |
| Miscellaneous | 7,440 | 55,024 | 0 | 0 | 62,464 |
| Total Cash Receipts | <u>1,685,964</u> | <u>6,480,212</u> | <u>125,242</u> | <u>48,252</u> | <u>8,339,670</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 914,128 | 12,225 | 0 | 0 | 926,353 |
| Public Safety | 0 | 3,992,002 | 0 | 0 | 3,992,002 |
| Public Works | 59,852 | 549,601 | 0 | 0 | 609,453 |
| Health | 9,515 | 0 | 0 | 0 | 9,515 |
| Conservation/Recreation | 59,056 | 0 | 0 | 0 | 59,056 |
| Other | 0 | 444,210 | 0 | 0 | 444,210 |
| Capital Outlay | 457,265 | 316,184 | 0 | 2,216,700 | 2,990,149 |
| Debt Service: | | | | | |
| Redemption of Principal | 0 | 1,416,767 | 121,187 | 607,046 | 2,145,000 |
| Interest and Other Fiscal Charges | 0 | 483,991 | 24,750 | 0 | 508,741 |
| Total Cash Disbursements | <u>1,499,816</u> | <u>7,214,980</u> | <u>145,937</u> | <u>2,823,746</u> | <u>11,684,479</u> |
| Total Receipts Over/(Under) Disbursements | <u>186,148</u> | <u>(734,768)</u> | <u>(20,695)</u> | <u>(2,775,494)</u> | <u>(3,344,809)</u> |
| Other Financing Receipts/Disbursements | | | | | |
| Sale of Notes | 0 | 1,000,000 | 0 | 3,225,000 | 4,225,000 |
| Sale of Fixed Assets | 0 | 8,250 | 0 | 0 | 8,250 |
| Transfers In | 0 | 95,757 | 0 | 0 | 95,757 |
| Transfers Out | (95,757) | 0 | 0 | 0 | (95,757) |
| Advances In | 133,581 | 40,760 | 0 | 0 | 174,341 |
| Advances Out | (40,760) | (133,581) | 0 | 0 | (174,341) |
| Other Financing Sources | 0 | 190,112 | 0 | 5,062 | 195,174 |
| Other Financing Uses | 0 | (21,859) | 0 | 0 | (21,859) |
| Total Other Financing Receipts/(Disbursements) | <u>(2,936)</u> | <u>1,179,439</u> | <u>0</u> | <u>3,230,062</u> | <u>4,406,565</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | | | | | |
| | <u>183,212</u> | <u>444,671</u> | <u>(20,695)</u> | <u>454,568</u> | <u>1,061,756</u> |
| Fund Cash Balances, January 1 | <u>4,461,830</u> | <u>5,946,798</u> | <u>24,688</u> | <u>1,030,726</u> | <u>11,464,042</u> |
| Fund Cash Balances, December 31 | <u>\$ 4,645,042</u> | <u>\$ 6,391,469</u> | <u>\$ 3,993</u> | <u>\$ 1,485,294</u> | <u>\$ 12,525,798</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 186,924</u> | <u>\$ 655,822</u> | <u>\$ 0</u> | <u>\$ 1,347,073</u> | <u>\$ 2,189,819</u> |

The Notes to the Financial Statements are an integral part of this statement.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 Fairfield Township, Butler County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Township Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services, and police protection.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township 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. Cash and Investments

The Township values certificates of deposit at cost.

D. Fund Accounting

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

General Fund:

The General Fund reports all financial resources except those required to be accounted for in another fund.

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:

Police District Fund – This fund receives tax money for the operation of the police department.

Fire District Fund – This fund receives tax money for the operation of the fire department.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Princeton Road TIF Fund – This fund receives property tax money for the construction and development of Princeton Road.

Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds:

Fire Station Bond Retirement Fund – This fund accumulates resources for the payment of principal and interest for the Fire Station bonds and notes.

Police Station Bond Retirement Fund – This fund accumulates resources for the payment of principal and interest for the Police Station bonds and notes.

Princeton Road Bond Retirement – This fund accumulates resources for the payment of principal and interest for the Princeton Road bond and notes.

Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project funds:

Police Station Permanent Improvement Fund – This fund accumulates resources for the construction of a new police station.

Gilmore Road – This fund accumulates resources for road construction of Gilmore Road.

Princeton Road Project – This fund accumulates resources for road construction of Princeton Road.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

Encumbrances

The Ohio Revised Code requires the Township 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 2008 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. 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 liability for unpaid leave.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

| | |
|-------------------------|---------------------|
| | <u>2008</u> |
| Demand Deposits | \$ 8,430,798 |
| Certificates of Deposit | <u>4,095,000</u> |
| Total Deposits | <u>\$12,525,798</u> |

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

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2008 was as follows:

2008 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Actual | | Variance |
|------------------|------------------------|----------------------|--------------------|
| | Receipts | Receipts | |
| General | \$ 1,678,720 | \$ 1,685,964 | \$ 7,244 |
| Special Revenue | 7,661,456 | 7,774,331 | 112,875 |
| Debt Service | 125,242 | 125,242 | 0 |
| Capital Projects | 3,465,934 | 3,278,314 | (187,620) |
| Total | <u>\$ 12,931,352</u> | <u>\$ 12,863,851</u> | <u>\$ (67,501)</u> |

2008 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation | Budgetary | Variance |
|------------------|----------------------|----------------------|---------------------|
| | Authority | Expenditures | |
| General | \$ 2,259,573 | \$ 1,782,497 | \$ 477,076 |
| Special Revenue | 9,709,604 | 7,892,661 | 1,816,943 |
| Debt Service | 158,312 | 145,937 | 12,375 |
| Capital Projects | 4,238,683 | 4,170,819 | 67,864 |
| Total | <u>\$ 16,366,172</u> | <u>\$ 13,991,914</u> | <u>\$ 2,374,258</u> |

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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 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. DEBT

Debt Outstanding at December 31, 2008, was as follows:

| | <u>Principal</u> | <u>Interest</u> |
|---|---------------------|-----------------|
| Police Station General Obligation Bonds | \$ 345,000 | 2.50 - 5.50% |
| LTGO Construction Bonds | 4,690,000 | 3.00 - 5.00% |
| TIF Roadway Improvement GO Bonds | 4,215,000 | 4.00% |
| Gilmore Road Improvement Bonds | 1,000,000 | 2.50% |
| TIF Roadway Improvement GO Bonds | <u>3,225,000</u> | 2.75% |
| Total | <u>\$13,475,000</u> | |

The Township issued \$995,000 general obligation bonds in December 2001, for the construction and equipping of a new Police Station. The notes will be repaid in yearly installment, with a variable interest rate of 2.15% to 5.50%, over a ten year period, maturing in December 2011. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

The Township issued \$5,260,000 general obligation notes in July 2005, for the improvements to Township roads. The notes will be repaid in yearly installment, with a variable interest rate of 3.00% to 5.00%, over a twenty year period, maturing in December 2024. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

5. DEBT (Continued)

The Township issued \$4,360,000 in general obligation notes in July 2006, for the improvements to Township roads. The notes will be repaid in 2027, with an interest rate of 4.00%. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

The Township issued \$1,000,000 general obligation notes in September 2008, for a Gilmore road improvement project. The notes carry an interest rate of 2.50% and are to be repaid in June 2009. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

The Township issued \$3,225,000 general obligation notes in June 2008, for the improvements to Township roads. The notes will be repaid in 2009, with an interest rate of 2.75%. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

Amortization of the above debt, including interest, is scheduled as follows:

| Year Ending December 31: | Police Station Bonds | LTGO Construction Bonds | TIF Roadway Improvement Bonds | Gilmore Road Improvement Note |
|-----------------------------|----------------------------|-------------------------------|--|--|
| 2009 | \$128,975 | \$429,162 | \$3,642,473 | \$1,018,750 |
| 2010 | 127,925 | 427,500 | 328,032 | 0 |
| 2011 | 126,600 | 425,675 | 331,833 | 0 |
| 2012 | 0 | 429,925 | 330,232 | 0 |
| 2013 | 0 | 428,425 | 328,432 | 0 |
| 2014 – 2018 | 0 | 2,143,875 | 1,646,922 | 0 |
| 2019 – 2023 | 0 | 2,148,125 | 1,648,098 | 0 |
| 2024 – 2028 | 0 | 427,425 | 1,312,660 | 0 |
| Total | <u>\$383,500</u> | <u>\$6,860,112</u> | <u>\$9,568,682</u> | <u>\$1,018,750</u> |

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

6. TAX INCREMENT FINANCING AGREEMENTS

The Township entered into a Tax Increment Financing (TIF) agreement with DPR Properties, Inc. on May 20, 1999 for Phase I and Phase II of the Millikin Road Bridge/Route 4 development project. This agreement included a service agreement with the developer, Butler County, and First National Bank of Southwestern Ohio, wherein the County would issue debt not to exceed \$2,199,400. The debt was the full obligation of the County and was to be paid from money received as payment in lieu of tax from the property owners in the TIF zone. The Township agreed to act as participant in this agreement, wherein they are required to do the following:

- They will jointly share the cost with DPR Properties, Inc. for signalization, including traffic study and signal head installation not to exceed \$60,000;
- Establish a fund to collect all payments in lieu of tax;
- Make required payments to the contractors for development projects within the TIF zone from the proceeds of the general obligation debt;
- Make annual payments to Fairfield City School; and
- In the event of a failure of performance of the TIF zone, and DPR's minimum service payments and security provided in conjunction therewith, the Township will be responsible for any deficiencies in the Tax Increment Equivalent Fund necessary to satisfy County's repayment of its obligations.

The Township entered into a Tax Increment Financing (TIF) agreement on June 13, 2001, with Butler County, Home Depot U.S.A., Inc. and Wal-Mart Real Estate Business Trust for Phase I and Phase II of the Princeton Road and BY-Pass 4 Project, wherein County would issue debt not to exceed \$2,177,547. The debt was the full obligation of the County and was to be paid from money received as payment in lieu of tax from the property owners in the TIF zone. The Township agreed to act as a participant in this agreement, wherein they are required to do the following:

- Establish a fund to collect all payments in lieu of tax;
- Make required payments to the contractors for development projects within the TIF zone from the proceeds of the general obligation debt;
- Make annual payments to Fairfield City School; and
- In the event of a failure of performance of the TIF zone, and Wal-Mart's and/or Home Depot minimum service payments and security provided in conjunction therewith, the Township will be responsible for any deficiencies in the Tax Increment Equivalent Fund necessary to satisfy County's repayment of its obligations.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

7. RETIREMENT SYSTEM

The Township's certified Fire Fighters 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 prescribes contribution rates. For 2008, OP&F participants contributed 10.1 percent of their wages. For 2008, the Township contributed to OP&F an amount equal to 24.0 percent of their wages in 2007 and 2006, respectively, to OP&F. OPERS participants contributed 9.5 percent and 9.0 percent of full-time firefighters' wages. For 2008, OPERS members contributed 10.0 percent of their gross salaries and the Township contributed an amount equaling 14.0 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

8. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses and injuries to employees. The Township insures against injuries through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entities Excess Pool (APEEP.) Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

8. RISK MANAGEMENT (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

| | <u>2007</u> | <u>2006</u> |
|-------------------|----------------------|----------------------|
| Assets | \$ 43,210,703 | \$ 42,042,275 |
| Liabilities | <u>(13,357,837)</u> | <u>(12,120,661)</u> |
| Retained Earnings | <u>\$ 29,852,866</u> | <u>\$ 29,921,614</u> |

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when related claims are due for payment.

The Township's share of these unpaid claims collectible in future years is approximately \$17,258. This payable includes the subsequent year's contribution due if the Township terminates participation as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the past three years are as follows:

| <u>Contributions to OTARMA</u> | |
|--------------------------------|----------|
| 2008 | \$56,352 |
| 2007 | \$53,629 |
| 2006 | \$64,824 |

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

8. RISK MANAGEMENT (Continued)

After completing one year of membership, member may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. LITIGATION

The Township is defendant in various 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.

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**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Fairfield Township, Butler County
6032 Morris Road
Hamilton Ohio 45011

We have audited the accompanying financial statements of the Fairfield Township, Butler County (the Township), as of and for the year ended December 31, 2008, and have issued our report thereon dated July 21, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described in item 2008-001 to be a material weakness.

We also noted certain other matters that we reported to the Township's management in a separate letter dated July 21, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2008-001.

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

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 21, 2009.

We intend this report is intended solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

July 21, 2009

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2008-001

Township Books and Records

Ohio Admin Code Section 117-2 provides that the Township Fiscal Officer shall keep the books of the Township; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code.

During 2008, some receipt and expenditure items were not posted to accurate revenue or expense classifications based on the source the source of the receipt or expenditure, namely in regards to TIF transactions. For example, many items posted to other financing sources were for property taxes or other miscellaneous items. Sale of assets were not properly reflected. This resulted in audit adjustments being made on the financial statements. In addition we noted variances on budgetary information reported on the Townships records and those filed with the County Auditor.

We recommend the Fiscal Officer to refer to Ohio Adm. Code Section 117-07-01 and or the Ohio Township Handbook for guidance to determine proper classifications of receipts and disbursements. The Fiscal Officer should reconcile the year end budgetary data with the approved amounts to ensure the budgetary activity is being reported accurately. These financial statements have been adjusted to reflect the approved and reported amounts to the County.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Township funds, reduces the Trustees ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected and increases likelihood that the Township's financial statements will be misstated.

Response: The Fiscal Officer will review the Township Handbook for proper classifications as needed and will continue to make efforts to improve the accuracy of all Township records.

**FAIRFIELD TOWNSHIP
BUTLER TOWNSHIP**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain |
|----------------|--|------------------|---|
| 2007-001 | ORC 5705.41 (D) - Purchase Orders issued after in incurrence of an expense | Partially | Moved to Management Letter Comment |
| 2007-002 | ORC 5705.39 - Appropriations in excess of certified available resources | Partially | Moved to Management Letter Comment |
| 2007-003 | ORC 5705.41 (B) -Expenditures exceeded appropriations | Yes | |
| 2007-004 | ORC 135.18(A) - Depository agreement exceeded | Yes | |
| 2007-005 | Ohio Admin Code 117-2 - Mispostings of Disbursements and Receipts | No | Reissued as Finding 2008-001 |
| 2007-006 | Budgetary amounts per Township computer did not match County filings | No | Reissued and combined with Finding 2008-001 |



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 5, 2009**