

**FAIRFIELD TOWNSHIP**

BUTLER COUNTY

**REGULAR AUDIT**

FOR THE YEAR ENDED DECEMBER 31, 2009





# 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, 2009 through December 31, 2009. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 12, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**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, 2009. 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, 2009 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, 2009, 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, 2009, 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 May 24, 2010, 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

May 24, 2010

**This page intentionally left blank.**

**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, 2009

	GOVERNMENTAL FUND TYPES				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 593,034	\$ 5,110,808	\$ 134,469	\$ 0	\$ 5,838,311
Charges for Services	0	302,739	0	0	302,739
Licenses, Permits and Fees	243,215	4,699	0	0	247,914
Fines and Forfeitures	27,337	24,816	0	0	52,153
Intergovernmental Receipts	845,030	1,125,346	0	56,932	2,027,308
Special Assessments	0	105,078	0	0	105,078
Earnings on Investments	95,892	672	0	0	96,564
Miscellaneous	18,112	61,924	0	0	80,036
<b>Total Cash Receipts</b>	<u>1,822,620</u>	<u>6,736,082</u>	<u>134,469</u>	<u>56,932</u>	<u>8,750,103</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	1,017,783	0	0	0	1,017,783
Public Safety	0	4,581,876	0	0	4,581,876
Public Works	195,040	817,449	0	0	1,012,489
Health	9,689	0	0	0	9,689
Conservation/Recreation	96,854	0	0	0	96,854
Other	0	0	0	0	0
Capital Outlay	180,521	3,132,760	0	1,252,650	4,565,931
Debt Service:					
Redemption of Principal	0	4,580,000	110,000	0	4,690,000
Interest and Other Fiscal Charges	0	506,309	18,975	0	525,284
<b>Total Cash Disbursements</b>	<u>1,499,887</u>	<u>13,618,394</u>	<u>128,975</u>	<u>1,252,650</u>	<u>16,499,906</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>322,733</u>	<u>(6,882,312)</u>	<u>5,494</u>	<u>(1,195,718)</u>	<u>(7,749,803)</u>
<b>Other Financing Receipts/Disbursements</b>					
Sale of Notes	0	6,860,000	0	0	6,860,000
Sale of Fixed Assets	0	340	0	0	340
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Advances In	72,262	272,702	0	0	344,964
Advances Out	(272,702)	(72,262)	0	0	(344,964)
Other Financing Sources	0	78,081	0	0	78,081
Other Financing Uses	0	(472,153)	0	0	(472,153)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(200,440)</u>	<u>6,666,708</u>	<u>0</u>	<u>0</u>	<u>6,466,268</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>122,293</u>	<u>(215,604)</u>	<u>5,494</u>	<u>(1,195,718)</u>	<u>(1,283,535)</u>
<b>Fund Cash Balances, January 1</b>	<u>4,645,042</u>	<u>6,391,469</u>	<u>3,993</u>	<u>1,485,294</u>	<u>12,525,798</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 4,767,335</u>	<u>\$ 6,175,865</u>	<u>\$ 9,487</u>	<u>\$ 289,576</u>	<u>\$ 11,242,263</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 128,910</u>	<u>\$ 409,060</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 537,970</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, 2009

---

**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, 2009

---

**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:

**Fairfield Twp RID Project** – This fund accumulates resources for construction.

**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, function, or object 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, 2009

---

**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 2009 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>2009</u>
Demand Deposits	\$ 5,147,263
Certificates of Deposit	<u>6,095,000</u>
Total Deposits	<u>\$11,242,263</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, 2009

---

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2009 was as follows:

**2009 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 1,781,366	\$ 1,822,620	\$ 41,254
Special Revenue	13,550,047	13,674,503	124,456
Debt Service	134,469	134,469	0
Capital Projects	56,932	56,932	0
Total	<u>\$ 15,522,814</u>	<u>\$ 15,688,524</u>	<u>\$ 165,710</u>

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 2,821,233	\$ 1,628,797	\$ 1,192,436
Special Revenue	16,633,567	14,499,607	2,133,960
Debt Service	138,462	128,975	9,487
Capital Projects	1,418,353	1,252,650	165,703
Total	<u>\$ 21,011,615</u>	<u>\$ 17,510,029</u>	<u>\$ 3,501,586</u>

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

---

**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, 2009, was as follows:

	<u>Principal</u>	<u>Interest</u>
Police Station General Obligation Bonds	\$ 235,000	2.50 - 5.50%
LTGO Construction Bonds	4,485,000	3.00 - 5.00%
TIF Roadway Improvement GO Bonds	4,065,000	4.00%
Gilmore / TIF Road Improvement Bonds	4,000,000	1.75%
By-Pass 4 Recovery Zone Economic Dev. Bonds	<u>2,860,000</u>	1.875 - 6.50%
Total	<u>\$15,645,000</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, 2009

**5. DEBT (Continued)**

The Township issued \$4,360,000 in general obligation notes in July 2007, 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 \$4,000,000 general obligation notes in June 2009. This note consolidated the Gilmore road improvement note and the improvement of Township roads notes. These notes were original issued in 2008 for \$1,000,000 and \$3,225,000 respectively. The bond carries an interest rate of 1.75% and is to be repaid in June 2010. The general obligation note is a direct obligations and pledge the full faith and credit of the government.

The Township joint ventured with the City of Hamilton and Butler County on the By-Pass 4 Recovery Zone Transportation Improvement District (TID) debt issuance. The bond was issued for a total \$7,275,000; of which the Township's responsibility is \$2,860,000, The bonds are payable to the Butler County Transportation District in annual principal and semi-annual interest payments over a twenty year period ending in December 2029, with a variable interest rate of 1.75% to 6.5%. The general obligation debt is direct obligations and pledge the full faith and credit of the government. The TID is subject to an interest credit from the Internal Revenue Service at 45%, this will be paid to the Township from the Butler County Transportation District as received.

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	By-Pass 4 Recovery Zone Economic Rev. Bonds
2010	\$127,925	\$427,500	\$328,032	\$4,069,806	\$147,829
2011	126,600	425,675	331,833	0	254,256
2012	0	429,925	330,232	0	252,381
2013	0	428,425	328,432	0	255,006
2014	0	431,425	331,214	0	251,856
2015-2019	0	2,144,125	1,645,562	0	1,271,113
2020-2024	0	2,143,875	1,645,163	0	1,272,850
2025-2029	0	0	985,740	0	1,275,475
Total	<u>\$254,525</u>	<u>\$6,430,950</u>	<u>\$5,926,208</u>	<u>\$4,069,806</u>	<u>\$4,980,766</u>

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

---

**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, 2009

---

**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 2009, OP&F participants contributed 10.1 percent of their wages. For 2009, the Township contributed to OP&F an amount equal to 17.6 percent of their wages in 2009 to OP&F. For 2009, 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, 2009.

**8. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Settled claims have not exceeded coverage in the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

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 Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For occurrences prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, and provides up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. For occurrences on or after January 1, 2006, OTARMA retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contribution to APEEP. APEEP reinsures claim exceeding \$350,000, and provides up to \$2,650,000 per claim and \$10,000,000 in aggregate per year.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, General Reinsurance Corporation.

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

---

**8. RISK MANAGEMENT (Continued)**

Property Coverage

Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined OTARMA members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

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 OTARMA member.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$ 40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$ 27,755,922</u>	<u>\$ 29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

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.

**Contributions to OTARMA**

2009	\$49,716
2008	\$56,352
2007	\$53,629



**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

---

**8. RISK MANAGEMENT (Continued)**

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.

**10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 26, 2010, the date on which the financial statements were available for issue.

**11. RELATED PARTY TRANSACTIONS**

The Township hired Gigglebox Ventures, which is owned by the son-in-law of Trustee Mark Sutton, for the redesign and monthly maintenance of the Township's website. The Company was paid \$1,850 during 2009. This amount includes the cost of the redesign as well as total monthly service fees paid during the year.

**12. JOINT VENTURES**

Joint Economic Development District

The Township entered into a contract with Butler County and City of Fairfield in creating a joint economic development district (JEDD) for mutual betterment of Fairfield Township, the City of Fairfield and their surrounds. The objective is to create jobs and to enable long term expanded economic opportunity for the benefit of the combined region and for State of Ohio.

The JEDD territory will be subject to a one and one-half percent income tax rate on withholdings, and net profits of businesses located in the JEDD. The City of Fairfield will administer the income tax collections.

Transportation Improvement District

The Township entered into a contract with Butler County and the City of Hamilton creating a Transportation Improvement District for the by-pass 4 recovery zone improvement project. In creating the TID the Township approved debt issuance of up to \$2,900,000. The actual debt issuance was \$2,860,000, see note 5 for details.

**This page intentionally left blank**

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

**INDEPENDENT ACCOUNTANTS' 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 financial statements of the Fairfield Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2009, and have issued our report thereon dated May 24, 2010, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*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 timely correct misstatements. 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 timely corrected. We consider Finding Number 2009-001 described in the accompanying schedule of findings to be a material weakness.

### **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 item 2009-001.

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 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

May 24, 2010

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2009

---

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2009-001**

**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 2009, 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. For example, many items posted to other financing sources were for property taxes or other miscellaneous items. 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 COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; <b>Explain</b>
2008-001	Ohio Admin. Code Sec. 117-2-020(C)(1) Improper posting of revenues and expenses classifications	No	Reissue as finding 2009-001



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  
JULY 27, 2010