

**FAIRFIELD TOWNSHIP**  
*BUTLER COUNTY, OHIO*

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2016**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Fairfield Township, Butler County, prepared by Bastin & Company, LLC, for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost  
Auditor of State

August 11, 2017

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**FAIRFIELD TOWNSHIP**  
*BUTLER COUNTY*

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# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

Fairfield Township  
Butler County  
6032 Morris Road  
Hamilton, Ohio 45011

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Fairfield Township, Butler County, (the Township) as of and for the year ended December 31, 2016.

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

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

### ***Auditor's Responsibility***

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016, or changes in financial position thereof for the year then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Fairfield Township, Butler County as of December 31, 2016, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2017, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
June 14, 2017

**Fairfield Township**  
*Butler County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 107,766	\$ 5,388,558	\$ -	\$ 5,496,324
Charges for Services	-	556,879	-	556,879
Licenses, Permits and Fees	314,456	10,871	-	325,327
Fines and Forfeitures	14,482	20,540	-	35,022
Intergovernmental	1,057,787	1,287,339	205,602	2,550,728
Special Assessments	-	139,912	-	139,912
Payments in Lieu of Taxes	-	2,386,741	-	2,386,741
Earnings on Investments	47,512	1,568	-	49,080
Miscellaneous	41,346	42,853	-	84,199
<i>Total Cash Receipts</i>	<u>1,583,349</u>	<u>9,835,261</u>	<u>205,602</u>	<u>11,624,212</u>
<b>Cash Disbursements</b>				
Current:				
General Government	925,490	615,030	-	1,540,520
Public Safety	-	4,870,845	-	4,870,845
Public Works	180,892	606,682	-	787,574
Health	9,450	-	-	9,450
Conservation/Recreation	33,638	-	-	33,638
Capital Outlay	69,297	443,157	-	512,454
Debt Service:				
Principal Retirement	-	4,657,454	937,546	5,595,000
Interest and Fiscal Charges	-	410,277	-	410,277
<i>Total Cash Disbursements</i>	<u>1,218,767</u>	<u>11,603,445</u>	<u>937,546</u>	<u>13,759,758</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>364,582</u>	<u>(1,768,184)</u>	<u>(731,944)</u>	<u>(2,135,546)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Bonds	-	2,805,000	-	2,805,000
Sale of Notes	-	4,000,000	-	4,000,000
Premium on Sale of Notes and Bonds	-	395,008	-	395,008
Issuance Costs on Sale of Notes and Bonds	-	(113,537)	-	(113,537)
Payment to Refunded Bond Escrow Agent	-	(3,085,171)	-	(3,085,171)
Advances-In	267,000	284,250	-	551,250
Advances Out	(284,250)	(267,000)	-	(551,250)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(17,250)</u>	<u>4,018,550</u>	<u>-</u>	<u>4,001,300</u>
<i>Net Change in Fund Cash Balances</i>	347,332	2,250,366	(731,944)	1,865,754
<i>Fund Cash Balances, January 1</i>	<u>4,666,604</u>	<u>6,552,500</u>	<u>5,756,721</u>	<u>16,975,825</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted	-	8,802,866	5,024,777	13,827,643
Assigned	1,086,413	-	-	1,086,413
Unassigned	3,927,523	-	-	3,927,523
<i>Fund Cash Balances, December 31</i>	<u>\$ 5,013,936</u>	<u>\$ 8,802,866</u>	<u>\$ 5,024,777</u>	<u>\$ 18,841,579</u>

See accompanying notes to the basic financial statements



**Fairfield Township**  
*Butler County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

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

***Blended Component Unit***

The Fairfield Township Community Improvement Corporation (CIC), a non-profit organization, is a five member board comprised of the three Township trustees, the Township fiscal officer, and one Township official. The CIC derives the major source of its revenues from Fairfield Township in the form of capital and cash contributions. The CIC works with the Township in many aspects of the overall adopted economic development strategy of the Township with its current efforts focused on facilitating industrial and retail development. Financial statements related to the CIC can be obtained from the Township Fiscal Officer. The cash activity for the CIC is reported as part of the Special Revenue fund type of the Township.

***Joint Ventures and Public Entity Risk Pool***

The Township participates in joint ventures and a public entity risk pool. Notes 7 and 11 to the financial statements provides additional information for these entities.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Police District Fund*** The Police District Fund accounts for and reports that portion of property tax and intergovernmental monies restricted for the operation of the Township's police department.

**Fairfield Township**  
*Butler County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Fire District Fund*** The Fire District Fund accounts for and reports that portion of property tax and intergovernmental monies restricted for the operation of the Township's fire department.

***Princeton Road TIF Fund*** The Princeton Road TIF Fund accounts for and reports that portion of payments in lieu of taxes under tax increment financing agreements on properties located within the Township restricted for the operation of the Township's Princeton Road TIF districts.

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

***Fire Station Improvement Project Fund*** This fund received debt proceeds for the construction of a fire station and other improvements located within the Princeton Road TIF District.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund 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. Unencumbered appropriations lapse at year end.

***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 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 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

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

**Fairfield Township**  
*Butler County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

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

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

**Fairfield Township**  
*Butler County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,400,070	\$ 1,850,349	\$ 450,279
Special Revenue	16,869,072	17,314,518	445,446
Capital Projects	100,000	205,602	105,602
Total	\$ 18,369,142	\$ 19,370,469	\$ 1,001,327

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,980,227	\$ 1,544,515	\$ 435,712
Special Revenue	19,701,398	15,167,993	4,533,405
Capital Projects	4,909,000	937,546	3,971,454
Total	\$ 26,590,625	\$ 17,650,054	\$ 8,940,571

Activity of the CIC, a blended component unit of the Township, is not presented in the tables above.

**Note 4 – Deposits and Investments**

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2016 was as follows:

Demand deposits	\$11,282,494
Other time deposits (savings and NOW accounts)	7,554,167
Demand deposits - CIC	4,918
Total deposits	\$18,841,579

The Township deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments for 2016 were due to the County by March 3. If the property owner elects to pay semiannually, the first half was due March 3. The second half payment was due the following August 4.

**Fairfield Township**  
*Butler County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

**Note 6 – Interfund Balances**

Outstanding advances at December 31, 2016, consisted of \$2,250 advanced to the Ohio EMS Grant Fund and \$15,000 advanced to the TIF-Millikin Road fund to provide working capital for operations or projects.

**Note 7 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2016.

	<u>2016</u>
Assets	\$38,473,283
Liabilities	8,244,140
Net Assets	<u>\$30,229,143</u>

**Fairfield Township**  
*Butler County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$42,000.

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.

2016 Contributions to OTARMA  
\$92,551

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some of the Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS local members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. OPERS law enforcement members contribute 13% of their gross salaries and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

***Ohio Police and Fire Retirement System***

Some of the Township's fire fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2016.

**Fairfield Township**  
*Butler County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Social Security***

Some of the Township's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The employees contributed 6.2 percent of their gross salary. The Township contributed an amount equal to 6.2 percent of participants' gross salary. The Township has paid all contributions required through December 31, 2016.

**Note 9 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Note 10 – Debt**

Debt outstanding at December 31, 2016, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
By-Pass 4, General Obligation Bonds, Series 2009	\$ 2,225,000	1.875 - 6.50%
Various Purpose Refunding Bonds, Series 2014	2,720,000	1.00% - 4.25%
Various Purpose Refunding Bonds, Series 2016	2,620,000	3.00% - 4.00%
Fire Station Improvement Bond Anticipation Notes, Series 2016	4,000,000	1.625%
	<u>\$ 11,565,000</u>	

During 2009, the Township entered into a joint venture with the City of Hamilton and Butler County on the By-Pass 4 Recovery Zone Transportation Improvement District (TID) debt issuance. By-Pass 4, General Obligation Bonds, Series 2009 were issued for a total of \$7,275,000, of which the Township was responsible for a portion totaling \$2,860,000. The bonds will be repaid in yearly installments, with interest at rates ranging from 1.875% to 6.50%. The bonds are subject to an interest credit from the Internal Revenue Service up to 45%.

During 2014, the Township issued \$3,055,000 Various Purpose Refunding Bonds, Series 2014. Proceeds and a portion of the bond premium were used to retire \$3,070,000 of the Series 2005 Bonds that were originally issued to finance improvements to Township roads. The Series 2014 bonds will be repaid in yearly installments, with interest at rates ranging from 1.00% to 4.25%. The Township intends to pay debt service on a portion of the bonds from service payments from tax increment financing districts.

During 2016, the Township issued \$2,805,000 in Various Purpose General Obligation Refunding Bonds, Series 2016. Proceeds and a portion of the bond premium were used to retire \$3,025,000 of Series 2006 Bonds that were originally issued to finance infrastructure improvements in the Township and land acquisitions necessary for those improvements. The Series 2016 bonds will be repaid in yearly installments, with interest at rates ranging from 3.00% to 4.00%. The Township intends to pay debt service on a portion of the bonds from service payments from tax increment financing districts.

**Fairfield Township**  
*Butler County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

During 2016, the Township issued \$4,000,000 in Fire Station Improvement Bond Anticipation Notes, Series 2016. Proceeds of the note and other sources were used to retire \$5,000,000 of previously issued notes that were issued to finance construction of a fire station and related improvements. The Series 2016 note carries an interest rate of 1.625% and is due June 2, 2017. The Township intends to pay debt service on a portion of the Notes from service payments from tax increment financing districts.

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

Year ending December, 31:	By-Pass 4, General Obligation Bonds, Series 2009	Various Purpose Refunding Bonds, Series 2014	Fire Station Improvement Bond Anticipation Notes, Series 2016	Various Purpose Refunding Bonds, Series 2016	Total
2017	\$ 253,888	\$ 397,162	\$ 4,064,819	\$ 295,800	\$ 5,011,669
2018	253,188	396,163	-	294,800	944,151
2019	256,938	403,962	-	293,650	954,550
2020	255,018	404,213	-	297,350	956,581
2021	256,794	404,163	-	293,550	954,507
2022-2026	1,271,813	1,202,688	-	1,474,750	3,949,251
2027-2031	764,700	-	-	293,550	1,058,250
Total	<u>\$ 3,312,339</u>	<u>\$ 3,208,351</u>	<u>\$ 4,064,819</u>	<u>\$ 3,243,450</u>	<u>\$ 13,828,959</u>

In addition to the debt described above, the Township has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2016 was \$5,615,000. This disclosure does not include the related defeased debt or assets, since trustee assets should provide sufficient resources to retire the debt.

**Note 11 – Joint Ventures**

The Township has entered into a contract pursuant to the authority of Ohio Revised Code 715.72 through 715.81 with the City of Hamilton to create the Hamilton-Indian Springs Joint Economic Development District.

The JEDD was created in 1996 to promote economic development activities in certain geographic areas located in Fairfield Township. The JEDD consist of 5 board members, one member representing the City of Hamilton, one member representing the Township, one member representing the business owners located in the District, one member representing the persons working in the District and one member selected by the other members to serve as chairperson of the District Board.

Pursuant to Revised Code 715.74, the JEDD has implemented a 2.0% income tax. Net tax revenues of the original JEDD area (referred to as JEDD I) is allocated 75% to the City and 25% to the Township. During 2004, the area of the JEDD was expanded. Net tax revenues of the expanded area (referred to as JEDD II) is allocated 25% to the City and 75% to the Township. The City serves as fiscal agent for the JEDD. The contract for creating the JEDD can be terminated at any time by mutual consent of the contracting parties.



**Fairfield Township**  
*Butler County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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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 which the portion related to the Township was \$2,860,000 (See Note 10).

**Note 12 – Contingent Liabilities**

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

**Note 13 – Subsequent Events**

Subsequent to December 31, 2016, the Township elected to suspend plans for the fire station improvement project and retired the \$4,000,000 Fire Station Improvement Bond Anticipation Notes, Series 2016 that was due on June 2, 2017.

# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Fairfield Township  
Butler County  
6032 Morris Road  
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Fairfield Township, Butler County, (the Township) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated June 14, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Controls Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-01 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 grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Township's Response to Findings***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
June 14, 2017

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**FINDING NUMBER 2016-01**

Material Weakness - Financial Reporting

Audit adjustments were necessary to correctly classify certain transactions and balances in the Township's financial statements that were presented for audit. The adjustments made are as follows:

- The Township initially reported receipts related to their tax increment financing funds as property and other local taxes. Amounts totaling \$2,386,741 have been reclassified as payments in lieu of taxes.
- The Township initially reported certain amounts related to the issuance of the Various Purpose General Obligation Refunding Bonds, Series 2016 and the Fire Station Improvement Bond Anticipation Notes, Series 2016 as other financing sources and uses. Other financing sources totaling \$3,251,546 and other financing uses totaling \$3,085,171 have been reclassified for proper financial statement presentation.
- A portion of the General Fund's unassigned fund cash balance initially reported by the Township was reclassified to assigned fund balance. A reclassification totaling \$1,086,413 was made to report the portion of year end fund cash balance that is assigned due to year end encumbrances and the amount of fund balance that is assigned to fund the subsequent year's appropriations in accordance with the requirements of GASB 54.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Township implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

**Township's Response**

The audit corrections reflect reclassifications between various line items. These reclassifications are primarily a result of not having the correct accounts established within the UAN accounting system which was used to prepare the financial statements presented for the audit. Management will review and make changes to its accounting system account structure in order for these items to be properly reported in the future. The results of these reclassifications did not affect the financial condition of Fairfield Township in any way.



# Dave Yost • 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  
AUGUST 24, 2017**