



**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Fairfield Township
Butler County
6032 Morris Road
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the accompanying financial statements of Fairfield Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Audit Committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 25, 2002

**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, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$107,729	\$2,240,938	\$265,725		\$2,614,392
Intergovernmental	423,761	469,502			893,263
Payment in Lieu of Taxes		450,040			450,040
Special Assessments		53,060			53,060
Charges for Services		93,138			93,138
Licenses, Permits, and Fees	78,773	1,428			80,201
Fines, Forfeitures, and Penalties	15,777	1,779			17,556
Earnings on Investments	164,074	6,148	1,457		171,679
Other Revenue	127,848	123,343			251,191
	<u>917,962</u>	<u>3,439,376</u>	<u>267,182</u>	<u>0</u>	<u>4,624,520</u>
Cash Disbursements:					
Current:					
General Government	528,730	47,923			576,653
Public Safety		1,314,581			1,314,581
Public Works	27,066	580,383			607,449
Health	7,023				7,023
Conservation - Recreation	73,796				73,796
Debt Service:					
Redemption of Principal			190,000		190,000
Interest and Fiscal Charges			75,715		75,715
Capital Outlay	14,612	914,283		11,551	940,446
	<u>651,227</u>	<u>2,857,170</u>	<u>265,715</u>	<u>11,551</u>	<u>3,785,663</u>
Total Cash Disbursements	<u>651,227</u>	<u>2,857,170</u>	<u>265,715</u>	<u>11,551</u>	<u>3,785,663</u>
Total Receipts Over/(Under) Disbursements	<u>266,735</u>	<u>582,206</u>	<u>1,467</u>	<u>(11,551)</u>	<u>838,857</u>
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds				1,413,535	1,413,535
Advances-In	3,000	3,000			6,000
Advances-Out	(3,000)	(3,000)			(6,000)
Other Sources	6,107	3,694			9,801
	<u>6,107</u>	<u>3,694</u>	<u>0</u>	<u>1,413,535</u>	<u>1,423,336</u>
Total Other Financing Receipts/(Disbursements)	<u>6,107</u>	<u>3,694</u>	<u>0</u>	<u>1,413,535</u>	<u>1,423,336</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	272,842	585,900	1,467	1,401,984	2,262,193
Fund Cash Balances, January 1	2,560,561	1,405,378	0	12,430	3,978,369
Fund Cash Balances, December 31	<u>\$2,833,403</u>	<u>\$1,991,278</u>	<u>\$1,467</u>	<u>\$1,414,414</u>	<u>\$6,240,562</u>
Reserve for Encumbrances, December 31	<u>\$45,317</u>	<u>\$109,163</u>	<u>\$0</u>	<u>\$1,319,313</u>	<u>\$1,473,793</u>

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

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, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$101,846	\$960,053	\$269,620		\$1,331,519
Intergovernmental	522,892	283,252			806,144
Payment in Lieu of Taxes		1,323,175			1,323,175
Special Assessments		43,930			43,930
Charges for Services		79,155			79,155
Licenses, Permits, and Fees	73,607	770			74,377
Fines, Forfeitures, and Penalties	20,038	1,206			21,244
Earnings on Investments	262,834	7,436			270,270
Other Revenue	92,591	86,585			179,176
	<u>1,073,808</u>	<u>2,785,562</u>	<u>269,620</u>	<u>0</u>	<u>4,128,990</u>
Cash Disbursements:					
Current:					
General Government	453,037	75,326			528,363
Public Safety		1,142,581			1,142,581
Public Works	26,465	227,562			254,027
Health	6,781				6,781
Conservation - Recreation	50,065				50,065
Debt Service:					
Redemption of Principal			180,000		180,000
Interest and Fiscal Charges			90,315		90,315
Capital Outlay	238,019	1,437,175		1,476,322	3,151,516
	<u>774,367</u>	<u>2,882,644</u>	<u>270,315</u>	<u>1,476,322</u>	<u>5,403,648</u>
Total Cash Disbursements	<u>774,367</u>	<u>2,882,644</u>	<u>270,315</u>	<u>1,476,322</u>	<u>5,403,648</u>
Total Receipts Over/(Under) Disbursements	<u>299,441</u>	<u>(97,082)</u>	<u>(695)</u>	<u>(1,476,322)</u>	<u>(1,274,658)</u>
Other Financing Receipts/(Disbursements):					
Advances-In	20,959	22,959			43,918
Advances-Out	(22,959)	(20,959)			(43,918)
Other Sources	12,000	6,836			18,836
	<u>10,000</u>	<u>8,836</u>	<u>0</u>	<u>0</u>	<u>18,836</u>
Total Other Financing Receipts/(Disbursements)	<u>10,000</u>	<u>8,836</u>	<u>0</u>	<u>0</u>	<u>18,836</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	309,441	(88,246)	(695)	(1,476,322)	(1,255,822)
Fund Cash Balances, January 1	2,251,120	1,493,624	695	1,488,752	5,234,191
Fund Cash Balances, December 31	<u>\$2,560,561</u>	<u>\$1,405,378</u>	<u>\$0</u>	<u>\$12,430</u>	<u>\$3,978,369</u>
Reserve for Encumbrances, December 31	<u>\$53,856</u>	<u>\$22,892</u>	<u>\$0</u>	<u>\$9,500</u>	<u>\$86,248</u>

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

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Fairfield Township, Butler County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, fire protection and emergency medical services, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Police District Fund

This fund receives property tax money for the operation of the police district.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire District Fund

This fund receives property tax money for the operation of the fire district.

Millikin Road Fund

This fund receives property tax money for the construction and development of Millikin Road.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Fire Station Bond Retirement Fund

This fund accumulates resources for the payment of principal and interest for the Township's bonds and notes.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

Fire Station Permanent Improvement Fund

The fund accumulates resources for the construction of new fire station.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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. The Township did not encumber certain commitments required by Ohio law. However, there were no undisclosed material outstanding encumbrances at December 31, 2001 and 2000.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$3,195,665	\$933,472
Certificates of deposit	<u>3,044,897</u>	<u>3,044,897</u>
Total deposits	<u>\$6,240,562</u>	<u>\$3,978,369</u>

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

At December 31, 2001, \$908,018 of deposits were not insured or collateralized, contrary to Ohio Law.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 follows:

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$893,026	\$924,069	\$31,043
Special Revenue	3,269,043	3,443,070	174,027
Debt Service	267,172	267,182	10
Capital Projects	1,553,435	1,413,535	(139,900)
Total	<u>\$5,982,676</u>	<u>\$6,047,856</u>	<u>\$65,180</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,039,280	\$696,544	\$342,736
Special Revenue	3,685,314	2,966,333	718,981
Debt Service	265,715	265,715	0
Capital Projects	1,330,864	1,330,864	0
Total	<u>\$6,321,173</u>	<u>\$5,259,456</u>	<u>\$1,061,717</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,068,042	\$1,085,808	\$17,766
Special Revenue	2,785,251	2,792,398	7,147
Debt Service	269,620	269,620	0
Capital Projects	0	0	0
Total	<u>\$4,122,913</u>	<u>\$4,147,826</u>	<u>\$24,913</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,739,263	\$828,223	\$911,040
Special Revenue	3,482,750	2,905,536	577,214
Debt Service	270,315	270,315	0
Capital Projects	1,487,973	1,485,822	2,151
Total	<u>\$6,980,301</u>	<u>\$5,489,896</u>	<u>\$1,490,405</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the COPS Fast by \$518 and Law Enforcement Trust funds by \$2,377 for the year ended December 31, 2000. Also, budgetary expenditures exceeded appropriation authority in the COPS Fast by \$1,708 for the year ended December 31, 2001.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Fire Station General Obligation Notes	\$1,330,000	Variable
Police Station General Obligation Bonds	995,000	Variable
Fire Truck General Obligation Bonds	418,535	Variable
Total	\$2,743,535	

The Township issued \$1,700,000 general obligation notes in June 1999, for the construction of a new Fire Station. The notes will be repaid in yearly installment, with a variable interest rate of 4.25% to 5.3%, over a eight year period, maturing in December 2007. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

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 installments, with variable interest rate of 2.15% to 5.5%, 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 \$418,535 general obligation bonds in December 2001, for the purchase of a new Fire Truck. The notes will be repaid in yearly installments, with variable interest rate of 3.77% to 3.78%, over a five year period, maturing in December 2006. 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
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Fire Station Notes</u>	<u>Police Station Bonds</u>	<u>Fire Truck Bonds</u>
2002	\$262,165	\$128,698	\$92,217
2003	263,000	126,870	93,480
2004	262,955	129,660	93,464
2005	262,205	126,825	93,396
2006	265,730	128,765	93,347
2007 – 2011	<u>263,250</u>	<u>643,500</u>	
Total	<u>\$1,579,305</u>	<u>\$1,284,318</u>	<u>\$465,904</u>

6. TAX INCREMENT FINANCING AGREEMENTS

The Township enter 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 a 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 & 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;

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. TAX INCREMENT FINANCING AGREEMENTS (Continued)

- 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.

7. RETIREMENT SYSTEMS

One Township's certified Fire Fighter belongs to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 to December 31, 2000. The Township has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Risk Pool Membership

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 insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. RISK MANAGEMENT (Continued)

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claim 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, which is the latest information available.

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained Earnings	<u>\$14,324,773</u>	<u>\$13,759,409</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$ 5,011,131	\$ 4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained Earnings	<u>\$4,363,464</u>	<u>\$ 3,658,953</u>



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

Fairfield Township
Butler County
6032 Morris Road
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the accompanying financial statements of Fairfield Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 25, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40409-001 and 2001-40409-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 25, 2002.

This report is intended solely for the information and use of the Audit Committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

June 25, 2002

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40409-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Contrary to the above requirements, the Township failed to obtain the certification of the availability of funds from the Clerk prior to the invoice date for 16% of expenditures tested, and neither of the two exceptions provided above were utilized.

FINDING NUMBER 2001-40409-002

Noncompliance Citation

Ohio Rev. Code, Section 135.18, states that the Treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. The Township's December 31, 2001 bank balance of \$3,908,018 exceeded the amount of their depository agreement by \$908,018.

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**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40409-001	Ohio Rev. Code Section 9.28, timely deposit of funds received by Clerk	Yes	



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OFFICE OF THE AUDITOR

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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 16, 2002**