

**FAIRFIELD TOWNSHIP**

BUTLER COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of Fairfield Township, Butler County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2006 through December 31, 2007. 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 Accountants' 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 Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Mary Taylor, CPA  
Auditor of State

October 15, 2008

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**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

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

**INDEPENDENT ACCOUNTANTS' 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 years ended December 31, 2007 and 2006. 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 cemeteries 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 years ended December 31, 2007 and 2006 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, 2007 and 2006.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Fairfield Township, Butler County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years 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 June 19, 2008, 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

June 19, 2008



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**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	GOVERNMENTAL FUND TYPES				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 542,142	\$ 3,032,808	\$ 390,970	\$ 0	\$ 3,965,920
Charges for Services	0	219,624	0	0	219,624
Licenses, Permits and Fees	255,974	6,536	0	0	262,510
Fines and Forfeitures	23,285	7,044	0	0	30,329
Intergovernmental Receipts	659,957	2,440,198	0	17,565	3,117,720
Special Assessments	0	92,470	0	0	92,470
Earnings on Investments	488,230	11,462	0	0	499,692
Miscellaneous	12,595	66,297	0	0	78,892
<b>Total Cash Receipts</b>	<u>1,982,183</u>	<u>5,876,439</u>	<u>390,970</u>	<u>17,565</u>	<u>8,267,157</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	867,691	38,962	0	0	906,653
Public Safety	0	3,416,466	0	0	3,416,466
Public Works	190,372	667,068	0	0	857,440
Health	9,288	0	0	0	9,288
Conservation/Recreation	39,556	0	0	0	39,556
Capital Outlay	108,996	859,119	0	656,992	1,625,107
Debt Service: Redemption of Principal	0	190,000	350,000	0	540,000
Interest and Other Fiscal Charges	0	421,032	43,499	0	464,531
<b>Total Cash Disbursements</b>	<u>1,215,903</u>	<u>5,592,647</u>	<u>393,499</u>	<u>656,992</u>	<u>7,859,041</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>766,280</u>	<u>283,792</u>	<u>(2,529)</u>	<u>(639,427)</u>	<u>408,116</u>
<b>Other Financing Receipts/Disbursements</b>					
Sale of Bonds	0	179,489	0	1,520,511	1,700,000
Sale of Fixed Assets	0	15,000	0	0	15,000
Advances In	203,171	221,171	0	0	424,342
Advances Out	(221,171)	(203,171)	0	0	(424,342)
Other Financing Sources	0	193,518	0	0	193,518
Other Financing Uses	(765)	(382,289)	0	0	(383,054)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(18,765)</u>	<u>23,718</u>	<u>0</u>	<u>1,520,511</u>	<u>1,525,464</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>747,515</u>	<u>307,510</u>	<u>(2,529)</u>	<u>881,084</u>	<u>1,933,580</u>
<b>Fund Cash Balances, January 1</b>	<u>3,714,315</u>	<u>5,639,288</u>	<u>27,217</u>	<u>149,642</u>	<u>9,530,462</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 4,461,830</u>	<u>\$ 5,946,798</u>	<u>\$ 24,688</u>	<u>\$ 1,030,726</u>	<u>\$ 11,464,042</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 482,622</u>	<u>\$ 443,461</u>	<u>\$ 0</u>	<u>\$ 494,022</u>	<u>\$ 1,420,105</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, 2006

	GOVERNMENTAL FUND TYPES				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 484,002	\$ 3,139,637	\$ 234,238	\$ 0	\$ 3,857,877
Charges for Services	0	245,643	0	0	245,643
Licenses, Permits and Fees	243,432	4,561	0	0	247,993
Fines and Forfeitures	11,368	3,337	0	0	14,705
Intergovernmental Receipts	609,216	1,587,804	0	0	2,197,020
Special Assessments	0	69,145	0	0	69,145
Earnings on Investments	322,397	4,222	0	0	326,619
Miscellaneous	506	37,787	0	0	38,293
<b>Total Cash Receipts</b>	<u>1,670,921</u>	<u>5,092,136</u>	<u>234,238</u>	<u>0</u>	<u>6,997,295</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	797,592	28,234	0	0	825,826
Public Safety	0	2,880,827	0	0	2,880,827
Public Works	440,913	415,153	0	0	856,066
Health	9,396	0	0	0	9,396
Conservation/Recreation	80,654	0	0	0	80,654
Capital Outlay	8,007	254,423	0	122,260	384,690
Debt Service: Redemption of Principal	0	185,000	4,664,945	0	4,849,945
Interest and Other Fiscal Charges	0	319,155	231,515	0	550,670
<b>Total Cash Disbursements</b>	<u>1,336,562</u>	<u>4,082,792</u>	<u>4,896,460</u>	<u>122,260</u>	<u>10,438,074</u>
Total Receipts Over/(Under) Disbursements	<u>334,359</u>	<u>1,009,344</u>	<u>(4,662,222)</u>	<u>(122,260)</u>	<u>(3,440,779)</u>
<b>Other Financing Receipts/Disbursements</b>					
Sale of Bonds	0	0	4,360,000	0	4,360,000
Sale of Fixed Assets	4,899	0	0	0	4,899
Transfers In	0	0	252,362	0	252,362
Transfers Out	0	(252,362)	0	0	(252,362)
Advances In	93,036	9,825	0	0	102,861
Advances Out	(9,825)	(93,036)	0	0	(102,861)
Other Financing Sources	0	168,035	6,161	0	174,196
Other Financing Uses	0	(324,953)	0	0	(324,953)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>88,110</u>	<u>(492,491)</u>	<u>4,618,523</u>	<u>0</u>	<u>4,214,142</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>422,469</u>	<u>516,853</u>	<u>(43,699)</u>	<u>(122,260)</u>	<u>773,363</u>
<b>Fund Cash Balances, January 1</b>	<u>3,291,846</u>	<u>5,122,435</u>	<u>70,916</u>	<u>271,902</u>	<u>8,757,099</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 3,714,315</u>	<u>\$ 5,639,288</u>	<u>\$ 27,217</u>	<u>\$ 149,642</u>	<u>\$ 9,530,462</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 637,867</u>	<u>\$ 834,949</u>	<u>\$ 0</u>	<u>\$ 39,689</u>	<u>\$ 1,512,505</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 YEARS ENDED DECEMBER 31, 2007 AND 2006

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**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 YEARS ENDED DECEMBER 31, 2007 AND 2006

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Fund Accounting** (Continued)

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

**Debt Service Funds**

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

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

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

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

**Capital Projects Funds**

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

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

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

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

**E. Budgetary Process**

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

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**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. The Township did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 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>2007</u>	<u>2006</u>
Demand Deposits	\$ 9,369,042	\$7,435,462
Certificates of Deposit	<u>2,095,000</u>	<u>2,095,000</u>
Total Deposits	<u>\$11,464,042</u>	<u>\$9,530,462</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 YEARS ENDED DECEMBER 31, 2007 AND 2006

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**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2007 was as follows:

**2007 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,739,980	\$ 1,982,183	\$ 242,203
Special Revenue	6,222,021	6,264,446	42,425
Debt Service	391,172	390,970	(202)
Capital Projects	1,397,024	1,538,076	141,052
Total	<u>\$ 9,750,197</u>	<u>\$ 10,175,675</u>	<u>\$ 425,478</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,868,433	\$ 1,699,290	\$ 169,143
Special Revenue	7,844,119	6,418,397	1,425,722
Debt Service	418,388	393,499	24,889
Capital Projects	1,490,792	1,151,014	339,778
Total	<u>\$ 11,621,732</u>	<u>\$ 9,662,200</u>	<u>\$ 1,959,532</u>

Budgetary activity for the year ending December 31, 2006 was as follows:

**2006 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,574,555	\$ 1,675,820	\$ 101,265
Special Revenue	5,221,015	5,260,171	39,156
Debt Service	4,852,309	4,852,761	452
Capital Projects	0	0	0
Total	<u>\$ 11,647,879</u>	<u>\$ 11,788,752</u>	<u>\$ 140,873</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,563,302	\$ 1,974,429	\$ 588,873
Special Revenue	6,084,318	5,495,056	589,262
Debt Service	4,919,623	4,896,460	23,163
Capital Projects	170,107	161,949	8,158
Total	<u>\$ 13,737,350</u>	<u>\$ 12,527,894</u>	<u>\$ 1,209,456</u>

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**3. BUDGETARY**

Contrary to Ohio Law, the Township's appropriations exceeded estimated resources in 2007 in the Firefighters Asst Grant Fund and TIF Milkin Road Fund by \$161,873 and \$15,057, respectively and in 2006 in the TIF Milkin Road, Bullet Proof Vest Grant, and Ohio Dept. of Natural Resources Funds by \$460, \$1,825, and \$710, respectively.

Contrary to Ohio Law, the Township's appropriations exceeded estimated resources in the Special Lighting Assessment fund in 2006 by \$7,104.

**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, 2007, was as follows:

	<u>Principal</u>	<u>Interest</u>
Police Station General Obligation Bonds	\$ 450,000	2.50 - 5.50%
LTGO Construction Bonds	4,885,000	3.00 - 5.00%
TIF Roadway Improvement GO Bonds	4,360,000	4.00%
Gilmore Road Improvement Bonds	1,700,000	4.05%
Total	<u>\$11,395,000</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 YEARS ENDED DECEMBER 31, 2007 AND 2006

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**5. DEBT (Continued)**

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

The Township issued \$1,700,000 general obligation notes in September 2007, for Gilmore road widening project. The notes carry an interest rate of 4.05% and are to be repaid in September 2008. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

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

Year Ending December 31:	Police Station Bonds	LTGO Construction Bonds	TIF Roadway Improvement Bonds	Gilmore Road Improvement Note
2008	\$129,750	\$425,500	\$329,833	\$1,768,659
2009	128,975	429,163	329,033	0
2010	127,925	427,500	328,033	0
2011	126,600	425,675	331,333	0
2012	0	429,925	330,233	0
2013 – 2017	0	2,145,375	1,646,469	0
2018 – 2022	0	2,148,125	1,648,535	0
2023 – 2027	0	854,350	1,641,108	0
Total	<u>\$513,250</u>	<u>\$7,285,613</u>	<u>\$6,584,577</u>	<u>\$1,768,659</u>

**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;

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**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 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.

**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 is a 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 both 2007 and 2006, members of OP&F participants contributed 10.1 percent of their wages. The Township contributed an amount equal to 17.17 percent and 16.93 percent of their wages in 2007 and 2006, respectively, to OP&F. OPERS participants contributed 9.5 percent and 9.0 percent of their gross salaries in 2007 and 2006, respectively. The Township contributed an amount equal to 13.85 percent and 13.70 percent of participants' gross salaries in 2007 and 2006, respectively. The Township has paid all contributions required through December 31, 2007.

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**8. RISK MANAGEMENT**

During 2005 the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTAMRA provides property and casualty coverage for its members. OTAMRA 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.

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

Coverage provided by OTAMRA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Law Enforcement Operations	2,000,000	Per Occurrence
Wrongful Acts	2,000,000	Per Occurrence
Property	966,920	Total Property

Casualty Coverage

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

Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses 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 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 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**8. RISK MANAGEMENT (Continued)**

Financial Position

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

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

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$107,258. This payable includes the subsequent year's contribution due if the Township terminates participation as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>	
2007	\$53,629
2006	\$64,824
2005	\$63,836

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

**9. LITIGATION**

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

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

**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 accompanying financial statements of the Fairfield Township, Butler County (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 19, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2007-004 through 2007-006.

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

### **Internal Control Over Financial Reporting, continued**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-005 and 2007-006 are also material weaknesses.

### **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 instances of noncompliance that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as item 2007-001 through 2006-003.

We intend this report for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

June 19, 2008

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Ohio Rev. Code Section 5705.41 (D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the Township.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.



**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001, continued**

The Township had issued purchase orders after the incurrence of an expense without certifying the purchase order as a “Then and Now.” In 2007, 24 or 14% of the expenditures tested were not properly certified. In 2006, 32 or 23% items tested were not properly certified.

Response: Fiscal Officer will review the proper use of purchase orders.

**FINDING NUMBER 2007-002**

**Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township had no certificates from the county auditor that appropriations from each fund did not exceed the total official estimate of resources.

In addition, the following funds had appropriations in excess of the amounts certified as available by the Amended Certificate of Estimated Resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<b>2007</b>			
Firefighters Asst Grant	\$ 0	\$ 161,873	\$ (161,873)
TIF – Milkin Rd	267,094	282,151	(15,057)
<b>2006</b>			
TIF – Milkin Rd	\$ 215,004	\$ 215,464	\$ (460)
Bullet Proof Vest	0	1,825	(1,825)
Ohio Dept. Natural Res.	77,820	78,530	(710)

To comply with this section and improve budgetary controls the Township should file their appropriation measures with the county budget commission for certification that the amounts appropriated do not exceed the available resources. In addition, the Certificate of Estimated Resources should be amended on a timely basis to reflect changes in actual or expected revenue and the corresponding appropriations should be amended accordingly.

Response: Fiscal Officer will monitor budgetary compliance more closely in the future, and utilize the UAN system for budgetary reporting.

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

**FINDING NUMBER 2007-003**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall expend money unless it has been appropriated. In 2006, the Township had instances where budgetary expenditures exceeded the amounts appropriated at the legal level of control:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
Special Lighting Assessment	\$69,145	\$76,248	(\$7,104)

The Township should monitor appropriations and expenditures throughout the year, making amendments to appropriations as needed to comply with the requirement that expenditures cannot exceed the amounts appropriated at the legal level of control. Implementing these procedures will also reduce the risk that the Township expends or certifies as available more resources than were legally appropriated by the Board of Trustees.

Response: Fiscal Officer will monitor budgetary compliance more closely in the future, and utilize the UAN system for budgetary reporting.

**FINDING NUMBER 2007-004**

**Ohio Rev. Code Section 135.18(A)** provides, in part that the treasurer shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public monies to be deposited in the public depository during the period of designation pursuant the award, eligible securities of aggregate marked value equal to the excess of the amount of public monies to be at the time so deposited, over and above the portion of amount of such monies as is at that time insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government.

During 2007, the Township exceeded the depository agreement in the following months:

<b>Month</b>	<b>Exceeded Amount</b>
May	\$ 843,875
September	1,431,725
October	1,373,487
November	1,202,479

As a result, the monies of the Township were not adequately protected against loss in the event of a bank failure. We recommend the Fiscal Officer and Trustees obtain additional specific pledged collateral for protection of the Township's monies.

Response: The Fiscal Officer has obtained a new depository agreement and is now in place.

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-005**

**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 2007 and 2006, 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. In addition some revenue items were recorded at net, instead of gross with the associated fee. For example, many items posted to other financing sources were for property taxes or other miscellaneous items. Sale of assets were not properly reflected. In addition adjustments were needed to properly record principal and interest on the debt of the Township. This resulted in reclassification entries being made on the financial statements.

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.

Response: The Fiscal Officer will review the Township Handbook for proper classifications as needed.

**Finding Number 2007-006**

**Budgetary - Posting Estimated Revenues and Appropriations**

Budgetary information on the Township's computer records did not agree with the information filed with the County Auditor. Failure to record and report the budgetary data accurately presents an inaccurate comparison of the budgetary activity and can mislead those using the annual financial report. In addition, unencumbered balances reported to the County did not agree with reconciled cash balances less encumbrances at year end.

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.

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: Fiscal Officer and Trustees will monitor budgetary reports more closely.

**FAIRFIELD TOWNSHIP  
BUTLER COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	ORC Section 5705.41 (D) Expenditures Not Properly Certified	No	



**Mary Taylor, CPA**  
Auditor of State

**FAIRFIELD TOWNSHIP**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 6, 2008**