

FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO

Financial Statements

December 31, 2014



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 Fairfield Township, Butler County, prepared by Bastin & Company, LLC, for the audit period January 1, 2014 through December 31, 2014. 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

July 21, 2015

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**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014.....	3
Notes to the Financial Statements.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14

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 and related notes of Fairfield Township, Butler County, (the Township) as of and for the year ended December 31, 2014.

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 opinion.

Basis for Adverse Opinion on U.S Generally Accepted Accounting Principle

As described in Note 1 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, 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, 2014, 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, 2014, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2015, 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 white background.

Cincinnati, Ohio
June 24, 2015

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Property and Other Local Taxes	\$ 730,578	\$ 3,855,160	\$ -	\$ 4,585,738
Intergovernmental Receipts	538,454	976,459	-	1,514,913
Special Assessments	-	123,172	-	123,172
Payments in Lieu of Taxes	-	2,484,682	182,942	2,667,624
Charges for Services	-	487,136	-	487,136
Licenses, Permits and Fees	253,085	7,213	-	260,298
Fines and Forfeitures	28,594	22,464	-	51,058
Earnings on Investments	2,669	90	-	2,759
Miscellaneous	20,919	71,592	-	92,511
Total Cash Receipts	1,574,299	8,027,968	182,942	9,785,209
<i>Cash Disbursements:</i>				
Current:				
General Government	998,461	599,920	-	1,598,381
Public Safety	-	5,082,754	-	5,082,754
Public Works	273,630	708,493	-	982,123
Health	9,546	-	-	9,546
Conservation/Recreation	26,386	-	-	26,386
Capital Outlay	9,465	291,309	36,598	337,372
Debt Service:				
Redemption of Principal	-	6,320,000	-	6,320,000
Interest and Fiscal Charges	-	460,469	-	460,469
Total Cash Disbursements	1,317,488	13,462,945	36,598	14,817,031
Receipts Over (Under) Disbursements	256,811	(5,434,977)	146,344	(5,031,822)
<i>Other Financing Receipts (Disbursements):</i>				
Sale of Bonds	-	3,055,000	-	3,055,000
Deposit to Escrow Agent	-	(3,290,021)	-	(3,290,021)
Sale of Notes	-	5,000,000	-	5,000,000
Premium on Sale of Bonds and Notes	-	361,727	-	361,727
Issuance Costs on Sale of Bonds and Notes	-	(137,524)	-	(137,524)
Transfers-In	-	300,000	-	300,000
Transfers-Out	(300,000)	-	-	(300,000)
Advances-In	1,113,611	1,181,861	-	2,295,472
Advances Out	(1,181,861)	(1,113,611)	-	(2,295,472)
Other Financing Sources	-	201,867	-	201,867
Total Other Financing Receipts (Disbursements)	(368,250)	5,559,299	-	5,191,049
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(111,439)	124,322	146,344	159,227
Fund Cash Balances, January 1	4,422,690	5,528,033	5,500,253	15,450,976
Fund Cash Balances, December 31:				
Restricted	-	5,652,355	5,646,597	11,298,952
Assigned	17,795	-	-	17,795
Unassigned	4,293,456	-	-	4,293,456
Fund Cash Balances, December 31	\$ 4,311,251	\$ 5,652,355	\$ 5,646,597	\$ 15,610,203

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

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 Trustees directs the Township. The Township provides road and bridge maintenance, fire protection, emergency medical services, and police protection.

The Township also participates in joint ventures and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) is a risk-sharing pool available to Ohio townships.

Joint Ventures:

Hamilton-Indian Springs Joint Economic Development District (JEDD) - A JEDD including Fairfield Township and the City of Hamilton and their surrounds created to create jobs and to enable long term expanded economic opportunity for the benefit of the combined region; and

Transportation Improvement District - the Township entered into a contract with Butler County and the City of Hamilton creating a Transportation Improvement District for the By-Pass 4 recovery zone improvement project.

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

B. Accounting Basis

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 Board 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.

C. 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, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(continued)**

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 - 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.

Princeton Road TIF Fund - This fund receives property tax money for the debt retirement issued for the construction and development within the Princeton Road TIF District.

3. Capital Projects 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 funds:

Fairfield Township RID Project Fund - This fund accumulates resources for construction within the Residential Improvement District.

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.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(continued)**

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. 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.

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 re-appropriated.

A summary of 2014 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(continued)**

4. 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.

5. 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.

G. Property, Plant and Equipment

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

H. 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.

2. EQUITY IN POOLED 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 was as follows:

	2014
Demand deposits	\$13,510,443
Money market deposit	2,099,760
Total deposits	\$15,610,203

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, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,669,571	\$ 2,687,910	\$ 18,339
Special Revenue	17,876,281	18,128,423	252,142
Capital Projects	110,897	182,942	72,045
Total	\$ 20,656,749	\$ 20,999,275	\$ 342,526

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,708,944	\$ 2,817,144	\$ 1,891,800
Special Revenue	21,437,484	18,138,213	3,299,271
Capital Projects	5,000,000	91,000	4,909,000
Total	\$ 31,146,428	\$ 21,046,357	\$ 10,100,071

4. PROPERTY TAX

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 are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(continued)**

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds, Series 2005	\$265,000	5.00%
General Obligation Bonds, Series 2006	3,215,000	4.00 - 4.40%
By-Pass 4, General Obligation Bonds, Series 2009 Road and Fire Station Improvement Bond	2,450,000	1.875 - 6.50%
Anticipation Note, Series 2014	5,000,000	1.00%
Various Purpose Refunding Bonds, Series 2014	<u>3,030,000</u>	1.00 - 4.25%
Total	<u>\$13,960,000</u>	

During 2005, the Township issued \$5,260,000 of General Obligation Bonds, Series 2005, to finance improvements to Township roads. As discussed below, during 2014 the Township issued \$3,055,000 Series 2014 Various Purpose Refunding Bonds to retire a portion of the outstanding balance of the Series 2005 Bonds. The remaining balance of the Series 2005 Bonds will be repaid in annual installments, with interest at 5.00%. The Township intends to pay debt service on a portion of the bonds from service payments from tax increment financing districts.

During 2006, the Township issued \$4,360,000 of General Obligation Bonds, Series 2006, to finance infrastructure improvements in the Township and land acquisitions necessary for those improvements. The bonds will be repaid in annual installments, with interest at rates ranging from 4.00% to 4.40%. The Township intends to pay debt service on a portion of the bonds from service payments from tax increment financing districts.

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. Bonds 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 \$5,000,000 Road and Fire Station Improvement Bond Anticipation Note, Series 2014. Proceeds from the note were used to retire a \$5,000,000 Road and Fire Station Improvement Bond Anticipation Note, Series 2013 whose proceeds were for the purpose of constructing a fire station and related improvements and paying the issuance costs. The Series 2014 note carries an interest rate of 1.00% and is due June 4, 2015.

As discussed above, 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.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(continued)**

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

Year ending December, 31:	General	General	By-Pass 4,	Road and Fire Station	Various	Total
	Obligation	Obligation	General	Improvement	Purpose	
	Bonds, Series	Bonds, Series	Obligation	Bond	Refunding	
	2005	2006	Bonds, Series	Anticipation	Bonds, Series	
			2009	Note, Series	2014	
				2014		
2015	\$ 278,250	\$ 328,583	\$ 253,181	\$ 5,049,861	\$ 121,162	\$ 6,031,037
2016	-	330,745	253,919	-	401,013	985,677
2017	-	327,495	253,888	-	397,162	978,545
2018	-	328,885	253,188	-	396,163	978,236
2019	-	329,855	256,938	-	403,962	990,755
2020-2024	-	1,645,162	1,272,850	-	2,011,063	4,929,075
2025-2029	-	985,740	1,275,474	-	-	2,261,214
Total	<u>\$ 278,250</u>	<u>\$ 4,276,465</u>	<u>\$ 3,819,438</u>	<u>\$ 5,049,861</u>	<u>\$ 3,730,525</u>	<u>\$17,154,539</u>

Defeased Debt - In addition to the debt described above, the Township has defeased a portion of the Series 2005 Bonds through the use of proceeds from the issuance of \$3,055,000 Series 2014 Various Purpose Refunding Bonds. Debt principal outstanding on the amounts defeased at December 31, 2014 total \$3,070,000 and is not considered a debt of the Township as assets placed with a trustee should provide sufficient resources to retire the defeased debt.

6. TAX INCREMENT FINANCING AGREEMENT

Route 4 – Millikin Road Bridge – 1999 TIF Zone

In 1999 the Township adopted Resolution 98-95 to create a Tax Increment Financing zone for improvements on Route 4 and Millikin Road Bridge. 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. The Township issued general obligation debt related to the 1999 TIF zone at Route 4 and Millikin Road in 2005. Service agreements existed for these parcels. Additional payments are made to the Fairfield City School District since they are impacted by the exemption.

By-Pass 4 and Princeton Road – 2001 TIF Zone

In June 2001 the Township adopted Resolution 01-49, authorizing participation in tax increment financing zones (TIF) applicable to eight tracts of real property covering 368.709 acres of land. The resolution included public infrastructure improvement projects in which construction was to be started right away and also denoted potential future projects expected for improvement as TIF zone areas developed. The Township issued general obligation debt related to the TIF zone at the Princeton Road – Bridgewater Falls development in 2006. Service agreements existed with the Bridgewater Falls parcels. The Township issued general obligation bond anticipation notes related to

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(continued)**

the TIF zone for Princeton and Gilmore Roads in 2010. Additional payments are made to the Fairfield City School District since they are impacted by the exemption.

7. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014, OP&F participants contributed 10.75 percent of their wages from January 1, 2014 through to June 30, 2014 and 11.50 percent of their wages from July 1, 2014 through December 31, 2014. For 2014, the Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. For 2014, OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. For 2014, law enforcement members in OPERS contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.1 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

8. 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, 2014, 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.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(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, 2013 and 2014 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	<u>8,486,363</u>	<u>8,912,432</u>
Net Assets	<u>\$26,467,923</u>	<u>\$27,057,831</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$46,000.

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.

<u>Year</u>	<u>Contribution</u>
2014	\$87,823
2013	79,417

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.

9. JOINT VENTURES

Hamilton-Indian Springs Joint Economic Development Districts

In 1996 the Township entered into a contract with the City of Hamilton to form a Joint Economic Development District (JEDD). The JEDD was established for mutual betterment of Fairfield Township, the City of Hamilton and their surrounds. The objective is to create jobs and to enable long term expanded economic opportunity for the benefit of the combined region and for the State of Ohio.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(continued)**

In 2004 a second JEDD (JEDD II) was established via a contract with the City of Hamilton to include over 100 acres of retail development in the area around State Route 129 and State Route 4 By-Pass.

The JEDD territories are subject to a two percent income tax rate on withholdings and net profits of businesses located in the JEDD. The City of Hamilton administers the income tax collections.

Transportation Improvement District

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

10. 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.

11. SUBSEQUENT EVENTS

On June 4, 2015, the Township issued a \$5,000,000 Series 2015 Fire Station Improvement Bond Anticipation Note to retire the \$5,000,000 Fire Station Improvement Bond Anticipation Note, Series 2014. The Series 2015 Note matures on June 3, 2016 and carries an interest rate of 1 percent.

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 Fairfield Township, Butler County, (the Township) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control 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 opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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 black ink that reads "Bastin & Company, L L C". The signature is written in a cursive style and is centered within a light gray rectangular box.

Cincinnati, Ohio
June 24, 2015



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 4, 2015**