

FAIRFIELD TOWNSHIP

CINCINNATI REGION, BUTLER COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 - 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Fairfield Township
6032 Morris Rd
Fairfield, Ohio 45011

We have reviewed the *Report of Independent Auditors'* of Fairfield Township, Butler County, prepared by Manning & Associates CPAs, LLC for the audit period January 1, 2004 through December 31, 2005. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Auditors'* on your financial statements. While the AOS 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 *Report of Independent Auditors'* also includes an opinion on the financial statements using the regulatory format the AOS 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

January 17, 2007

This Page is Intentionally Left Blank.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Auditors'	1 – 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2005	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2004	4
Notes to the Financial Statements	5 – 12
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	13
Schedule of Findings	14
Schedule of Prior Audit Findings	15

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

REPORT OF INDEPENDENT AUDITORS'

Board of Trustees
Fairfield Township
6032 Morris Road
Fairfield, 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, 2005 and 2004. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Fairfield Township, Butler County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 October 27, 2006, 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. 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

October 27, 2006

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FUDCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

GOVERNMENTAL FUND TYPES						
	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Funds	Total (Memorandum Only)
Cash Receipts:						
Taxes	\$ 360,156	\$ 2,687,609	\$ 480,774	\$ 0	\$ 0	\$ 3,528,539
Changes for Services	0	226,204	0	0	0	226,204
Intergovernmental Receipts	536,898	1,469,523	0	0	0	2,006,421
Licenses, Permits and Fees	82,736	5,676	0	0	0	88,412
Fines and Forfeitures	14,944	1,320	0	0	0	16,264
Special Assessments	0	73,115	0	0	0	73,115
Earnings on Investments	179,832	2,317	5,891	23,359	0	211,399
Miscellaneous	166,755	44,435	0	0	0	211,190
Total Cash Receipts	1,341,321	4,510,199	486,665	23,359	0	6,361,544
Cash Disbursements:						
Current:						
General Government	653,642	36,004	0	0	0	689,646
Public Safety	0	2,549,547	0	0	0	2,549,547
Public Works	271,652	396,157	0	0	0	667,809
Health	9,814	0	0	0	0	9,814
Conservation/Recreation	325,669	0	0	0	0	325,669
Other	0	0	0	0	0	0
Capital Outlay	255,955	306,822	0	3,759,629	0	4,322,406
Debt Service:						
Redemption of Principal	0	0	3,766,284	3,135,559	0	6,901,843
Interest and Other Fiscal Charges	0	100,729	173,169	53,290	0	327,188
Total Cash Disbursements	1,516,732	3,389,259	3,939,453	6,948,478	0	15,793,922
Total Receipts Over/(Under) Disbursements	(175,411)	1,120,940	(3,452,788)	(6,925,119)	0	(9,432,378)
Other Financing Receipts/Disbursements						
Sale of Bonds	0	0	3,257,719	6,242,281	0	9,500,000
Sale of Fixed Assets	0	2,000	0	0	0	2,000
Advances In	0	75,000	0	0	0	75,000
Advances Out	(75,000)	0	0	0	0	(75,000)
Other Financing Sources	1,329	19,365	245,920	0	0	266,614
Other Financing Uses	0	(192,339)	0	0	(32,650)	(224,989)
Total Other Financing Receipts/(Disbursements)	(73,671)	(95,974)	3,503,639	6,242,281	(32,650)	9,543,625
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements						
	(249,082)	1,024,966	50,851	(682,838)	(32,650)	111,247
Fund Cash Balances, January 1	3,540,928	4,097,469	20,065	954,740	32,650	8,645,852
Fund Cash Balances, December 31	\$ 3,291,846	\$ 5,122,435	\$ 70,916	\$ 271,902	\$ 0	\$ 8,757,099
Reserve for Encumbrances, December 31	\$ 163,446	\$ 36,625	\$ 0	21,949	\$ 0	\$ 222,020

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 AND SIMILAR FUDCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

GOVERNMENTAL FUND TYPES						
	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Funds	Total (Memorandum Only)
Cash Receipts:						
Taxes	\$ 190,144	\$ 2,651,868	\$ 503,791	\$ 0	\$ 0	\$ 3,345,803
Changes for Services	0	193,992	0	0	0	193,992
Intergovernmental Receipts	604,342	720,277	0	309,162	0	1,633,781
Licenses, Permits and Fees	74,544	3,577	0	0	0	78,121
Fines and Forfeitures	12,476	535	0	0	0	13,011
Special Assessments	0	73,580	0	0	0	73,580
Earnings on Investments	78,601	807	0	15,560	0	94,968
Miscellaneous	152,925	0	0	0	0	152,925
Total Cash Receipts	1,113,032	3,644,636	503,791	324,722	0	5,586,181
Cash Disbursements:						
Current:						
General Government	689,807	0	0	0	0	689,807
Public Safety	0	2,076,840	0	0	0	2,076,840
Public Works	51,315	649,245	0	0	0	700,560
Health	8,997	0	0	0	0	8,997
Conservation/Recreation	117,135	4,779	0	0	0	121,914
Other	0	38,742	0	0	0	38,742
Capital Outlay	0	284,003	0	5,888,851	0	6,172,854
Debt Service:						
Redemption of Principal	0	0	388,530	0	0	388,530
Interest and Other Fiscal Charges	0	0	97,315	0	0	97,315
Total Cash Disbursements	867,254	3,053,609	485,845	5,888,851	0	10,295,559
Total Receipts Over/(Under) Disbursements	245,778	591,027	17,946	(5,564,129)	0	(4,709,378)
Other Financing Receipts/Disbursements						
Sale of Bonds	0	0	0	6,500,000	0	6,500,000
Sale of Fixed Assets	0	3,000	0	0	0	3,000
Advances In	26,869	93,036	0	0	0	119,905
Advances Out	(93,036)	(26,869)	0	0	0	(119,905)
Other Financing Sources	0	52,619	0	0	0	52,619
Other Financing Uses	(677)	(2,575)	0	0	0	(3,252)
Total Other Financing Receipts/(Disbursements)	(66,844)	119,211	0	6,500,000	0	6,552,367
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	178,934	710,238	17,946	935,871	0	1,842,989
Fund Cash Balances, January 1	3,361,994	3,387,231	2,119	18,869	32,650	6,802,863
Fund Cash Balances, December 31	\$ 3,540,928	\$ 4,097,469	\$ 20,065	\$ 954,740	\$ 32,650	\$ 8,645,852
Reserve for Encumbrances, December 31	\$ 234,996	\$ 60,518	\$ 0	\$ 694,201	\$ 32,650	\$ 1,022,365

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, 2005 AND 2004

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.

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

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 (except those financed through enterprise or trust funds). 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.

Fire Department Equipment Permanent Improvement Fund – This fund accumulates resources for the purchase of equipment for the fire station.

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

Fiduciary Funds (Agency Fund)

The *Apex Escrow* fund is used to account for funds which the Township is acting in an agency capacity.

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, 2005 AND 2004

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. However, there were no undisclosed material outstanding encumbrances at December 31, 2005 and 2004.

A summary of 2005 and 2004 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>2005</u>	<u>2004</u>
Demand Deposits	\$6,662,099	\$6,550,852
Certificates of Deposit	<u>2,095,000</u>	<u>2,095,000</u>
Total Deposits	<u>\$8,757,099</u>	<u>\$8,645,852</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, 2005 AND 2004

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,138,672	\$ 1,342,650	\$ 203,978
Special Revenue	4,396,745	4,531,564	134,819
Debt Service	3,981,902	3,990,304	8,402
Capital Projects	6,242,281	6,265,640	23,359
Total	<u>\$ 15,759,600</u>	<u>\$ 16,130,158</u>	<u>\$ 370,558</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,537,619	\$ 1,680,178	\$ 857,441
Special Revenue	4,310,109	3,618,223	691,886
Debt Service	3,958,029	3,939,453	18,576
Capital Projects	7,197,020	6,970,427	226,593
Total	<u>\$ 18,002,777</u>	<u>\$ 16,208,281</u>	<u>\$ 1,794,496</u>

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,036,441	\$ 1,113,032	\$ 76,591
Special Revenue	3,684,852	3,700,255	15,403
Debt Service	503,791	503,791	0
Capital Projects	6,800,000	6,824,722	24,722
Total	<u>\$ 12,025,084</u>	<u>\$ 12,141,800</u>	<u>\$ 116,716</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,910,884	\$ 1,102,927	\$ 807,957
Special Revenue	3,782,028	3,116,702	665,326
Debt Service	505,909	485,845	20,064
Capital Projects	6,818,868	6,583,052	235,816
Total	<u>\$ 13,017,689</u>	<u>\$ 11,288,526</u>	<u>\$ 1,729,163</u>

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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, 2005, was as follows:

	<u>Principal</u>	<u>Interest</u>
Police Station General Obligation Bonds	\$ 645,000	2.15 – 5.5%
Fire Station General Obligation Notes	490,000	4.25 – 5.3%
Fire Truck General Obligation Bonds	89,945	3.78%
LTGO Construction Note	4,240,000	4.00%
LTGO Construction Bond	<u>5,260,000</u>	3.00%
Total	<u>\$10,724,945</u>	

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 an 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 installment, with a 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 installment, with a variable interest rate of 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.

The Township issued \$6,500,000 general obligation notes in July 2004, for the improvements to Township roads. The notes will be repaid in July 2005, with a interest rate of 2.25%. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

The Township issued \$4,240,000 general obligation notes in July 2005, for the improvements to Township roads. The notes will be repaid in July 2006, with a interest rate of 4.00%. 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, 2005 AND 2004

5. DEBT (Continued)

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.

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

Year Ending December 31:	Fire Truck Bonds	Police Station Bonds	Fire Station Notes	General Obligation Note	Bonds
2006	\$93,347	\$128,765	\$265,730	\$4,409,129	\$ 426,750
2007	0	130,250	263,250	0	426,200
2008	0	129,750	0	0	425,500
2009	0	128,975	0	0	429,163
2010	0	127,925	0	0	427,500
2011 – 2015	0	126,600	0	0	2,144,125
2016 – 2020	0	0	0	0	2,145,875
2021 – 2025	0	0	0	0	1,713,450
Total	<u>\$93,347</u>	<u>\$772,265</u>	<u>\$528,980</u>	<u>\$4,409,129</u>	<u>\$8,138,563</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;
- 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.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

6. TAX INCREMENT FINANCING AGREEMENTS (Continued)

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 SYSTEMS

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 2005 and 2004, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

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. 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

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

8. RISK MANAGEMENT (Continued)

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. 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.

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, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained Earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained Earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

9. LITIGATION

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

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

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLAINE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the Fairfield Township, Butler County (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 27, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider material weaknesses. In a separate letter to the Township's management dated October 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable condition.

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 grant agreements, 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 2005-001.

This report is intended for the information and use of the management and Council, and is not intended to be and should not be used by anyone other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

October 27, 2006

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance

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. These certificates need to be signed only by an 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 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 (\$3,000 after April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Trustees, if such expenditure is otherwise valid.

The Township did not properly certify the availability of funds for some of expenditures tested and neither of the above two exceptions applied.

Failure to properly certify the availability of funds can result in overspending available funds and negative cash fund balances. Effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend that Township obtain approved purchase orders, including amounts, which contain the Fiscal Officer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	ORC Section 5705.41 (D) Expenditures Not Properly Certified	No	Not Corrected; Reissued as 2005-001



Mary Taylor, CPA
Auditor of State

FAIRFIELD TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2007**