



**Auditor of State
Betty Montgomery**

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Fairfield Township
Butler County
6032 Morris Road
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the accompanying financial statements of Fairfield Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2005, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 9, 2005

FAIRFIELD TOWNSHIP
BUTLER COUNTY

**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, 2003**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$158,805	\$2,431,238	\$483,352	\$0	\$0	\$3,073,395
Intergovernmental	608,756	613,379				1,222,135
Payment in Lieu of Taxes		70,421				70,421
Special Assessments	0	71,616				71,616
Charges for Services	0	172,819				172,819
Licenses, Permits, and Fees	54,901	3,667				58,568
Fines, Forfeitures, and Penalties	10,030	521				10,551
Earnings on Investments	60,769	496				61,265
Other Revenue	141,875	4,145				146,020
Total Cash Receipts	<u>1,035,136</u>	<u>3,368,302</u>	<u>483,352</u>	<u>0</u>	<u>0</u>	<u>4,886,790</u>
Cash Disbursements:						
Current:						
General Government	554,943	37,418				592,361
Public Safety	0	1,862,876				1,862,876
Public Works	125,514	509,897				635,411
Health	4,129					4,129
Conservation - Recreation	51,173					51,173
Miscellaneous		70,421				70,421
Debt Service:						
Redemption of Principal			370,527			370,527
Interest and Fiscal Charges			112,574			112,574
Capital Outlay		195,609		28,791		224,400
Total Cash Disbursements	<u>735,759</u>	<u>2,676,221</u>	<u>483,101</u>	<u>28,791</u>	<u>0</u>	<u>3,923,872</u>
Total Receipts Over/(Under) Disbursements	<u>299,377</u>	<u>692,081</u>	<u>251</u>	<u>(28,791)</u>	<u>0</u>	<u>962,918</u>
Other Financing Receipts and (Disbursements):						
Advances-In	42,148	8,604				50,752
Advances-Out	(8,604)	(42,148)				(50,752)
Other Sources	5,945	29,078		383		35,406
Total Other Financing Receipts/(Disbursements)	<u>39,489</u>	<u>(4,466)</u>	<u>0</u>	<u>383</u>	<u>0</u>	<u>35,406</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	338,866	687,615	251	(28,408)	0	998,324
Fund Cash Balances, January 1	<u>3,023,128</u>	<u>2,699,616</u>	<u>1,868</u>	<u>47,277</u>	<u>32,650</u>	<u>5,804,539</u>
Fund Cash Balances, December 31	<u>\$3,361,994</u>	<u>\$3,387,231</u>	<u>\$2,119</u>	<u>\$18,869</u>	<u>\$32,650</u>	<u>\$6,802,863</u>
Reserve for Encumbrances, December 31	<u>\$13,765</u>	<u>\$88,938</u>	<u>\$0</u>	<u>\$13,795</u>	<u>\$32,650</u>	<u>\$149,148</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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$116,145	\$2,217,277	\$483,110	\$0	\$0	\$2,816,532
Intergovernmental	652,859	612,495				1,265,354
Payment in Lieu of Taxes		1,820,115				1,820,115
Special Assessments	0	63,919				63,919
Charges for Services	0	102,075				102,075
Licenses, Permits, and Fees	67,390	5,173				72,563
Fines, Forfeitures, and Penalties	12,156	1,494				13,650
Earnings on Investments	91,213	761				91,974
Other Revenue	127,195	23,341				150,536
	<u>1,066,958</u>	<u>4,846,650</u>	<u>483,110</u>	<u>0</u>	<u>0</u>	<u>6,396,718</u>
Total Cash Receipts						
Cash Disbursements:						
Current:						
General Government	529,975	32,603				562,578
Public Safety		1,540,693				1,540,693
Public Works	113,652	409,119				522,771
Health	5,702					5,702
Conservation - Recreation	126,903					126,903
Debt Service:						
Redemption of Principal			357,690			357,690
Interest and Fiscal Charges			125,019			125,019
Capital Outlay	41,705	2,206,521		1,334,487		3,582,713
	<u>817,937</u>	<u>4,188,936</u>	<u>482,709</u>	<u>1,334,487</u>	<u>0</u>	<u>6,824,069</u>
Total Cash Disbursements						
Total Receipts Over/(Under) Disbursements	<u>249,021</u>	<u>657,714</u>	<u>401</u>	<u>(1,334,487)</u>	<u>0</u>	<u>(427,351)</u>
Other Financing Receipts and (Disbursements):						
Transfers-In	8,612	7,228				15,840
Advances-In		60,680				60,680
Transfers-Out	(7,228)	(8,612)	0	0	0	(15,840)
Advances-Out	(60,680)	0				(60,680)
Other Sources	0	3,442			32,650	36,092
Other Uses	0	(12,114)	0	(32,650)	0	(44,764)
	<u>(59,296)</u>	<u>50,624</u>	<u>0</u>	<u>(32,650)</u>	<u>32,650</u>	<u>(8,672)</u>
Total Other Financing Receipts/(Disbursements)						
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	189,725	708,338	401	(1,367,137)	32,650	(436,023)
Fund Cash Balances, January 1	<u>2,833,403</u>	<u>1,991,278</u>	<u>1,467</u>	<u>1,414,414</u>	<u>0</u>	<u>6,240,562</u>
Fund Cash Balances, December 31	<u>\$3,023,128</u>	<u>\$2,699,616</u>	<u>\$1,868</u>	<u>\$47,277</u>	<u>\$32,650</u>	<u>\$5,804,539</u>
Reserve for Encumbrances, December 31	<u>\$32,605</u>	<u>\$114,859</u>	<u>\$0</u>	<u>\$38,355</u>	<u>\$32,650</u>	<u>\$218,469</u>

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

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

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 Deposits

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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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.

4. Capital Project 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.

5. 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.

1. 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.

2. Estimated Resources

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

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. However, there were no undisclosed material outstanding encumbrances at December 31, 2003 and 2002.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. 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.

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:

	2003	2002
Demand deposits	\$4,707,863	\$3,709,539
Certificates of deposit	2,095,000	2,095,000
Total deposits	6,802,863	5,804,539

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,102,800	\$1,041,081	(\$61,719)
Special Revenue	3,361,568	3,397,380	35,812
Debt Service	483,312	483,352	40
Capital Projects	0	383	383
Total	\$4,947,680	\$4,922,196	(\$25,484)

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,154,619	\$749,524	\$405,095
Special Revenue	3,292,223	2,765,159	527,064
Debt Service	483,352	483,101	251
Capital Projects	47,276	42,586	4,690
Total	<u>\$4,977,470</u>	<u>\$4,040,370</u>	<u>\$937,100</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,048,653	\$1,075,570	\$26,917
Special Revenue	4,980,213	4,857,320	(122,893)
Debt Service	481,623	483,110	1,487
Capital Projects	0	0	0
Total	<u>\$6,510,489</u>	<u>\$6,416,000</u>	<u>(\$94,489)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,401,348	\$857,770	\$543,578
Special Revenue	5,033,321	4,324,521	708,800
Debt Service	483,080	482,709	371
Capital Projects	1,415,291	1,405,492	9,799
Total	<u>\$8,333,040</u>	<u>\$7,070,492</u>	<u>\$1,262,548</u>

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 pay semiannually, 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.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Police Station General Obligation Bonds	\$825,000	2.15 - 5.5%
Fire Station General Obligation Notes	\$930,000	4.25 - 5.3%
Fire Truck General Obligation Bonds	260,318	3.77 - 3.78%
Total	<u>\$2,015,318</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 installments, with variable interest rate of 2.15% to 5.5%, over a ten year period, maturing in December 2011. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

The Township issued \$418,535 general obligation bonds in December 2001, for the purchase of a new Fire Truck. The notes will be repaid in yearly installments, with variable interest rate of 3.77% to 3.78%, over a five year period, maturing in December 2006. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

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

	<u>Fire Truck Bonds</u>	<u>Police Station Bonds</u>	<u>Fire Station Notes</u>
Year ending December 31:			
2004	\$93,464	\$129,660	\$262,955
2005	\$93,396	\$126,825	\$262,205
5006	\$93,347	\$128,765	\$265,730
2007		\$130,250	\$263,250
2008		\$129,750	
2009 – 2011		\$383,500	
Total	<u>\$280,207</u>	<u>\$1,028,750</u>	<u>\$1,054,140</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 a participant in this agreement, wherein they are required to do the following:

- They will jointly share the cost with DPR Properties, Inc. for signalization, including traffic study and signal head installation not to exceed \$60,000;

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. TAX INCREMENT FINANCING AGREEMENTS

- Establish a fund to collect all payments in lieu of tax;
- Make required payments to the contractors for development projects within the TIF zone from the proceeds of the general obligation debt;
- Make annual payments to Fairfield City School; and
- In the event of a failure of performance of the TIF zone, and DPR's minimum service payments and security provided in conjunction therewith, the Township will be responsible for any deficiencies in the Tax Increment Equivalent Fund necessary to satisfy County's repayment of its obligations.

The Township entered into a Tax Increment Financing (TIF) agreement on June 13, 2001, with Butler County, Home Depot U.S.A., Inc., and Wal-Mart Real Estate Business Trust for Phase I and Phase II of the Princeton Road & BY-Pass 4 Project, wherein County would issue debt not to exceed \$2,177,547. The debt was the full obligation of the County and was to be paid from money received as payment in lieu of tax from the property owners in the TIF zone. The Township agreed to act as a participant in this agreement, wherein they are required to do the following:

- Establish a fund to collect all payments in lieu of tax;
- Make required payments to the contractors for development projects within the TIF zone from the proceeds of the general obligation debt;
- 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 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 2003 and 2002, 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 members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

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 2003 and 2002:

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT(Continued)

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 the financial statements of Fairfield Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 9, 2005, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 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 when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated March 9, 2005, we reported other matters involving internal control over financial reporting.

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, 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. In a separate letter to the Township's management dated March 9, 2005, we reported a matter related to noncompliance we deemed immaterial.

Fairfield Township
Butler County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 9, 2005

**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the 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 fifteen percent 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 the Township obtain approved purchase orders, including amounts, which contain the Clerk'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.

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**FAIRFIELD TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40409-001	ORC Section 5705.41 (D) Expenditures Not Properly Certified	No	Not Corrected; Reissued as 2003-001
2001-40409-002	ORC Section 135.18 Not Properly Collateralized per Depository Agreement	Yes	



**Auditor of State
Betty Montgomery**

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FAIRFIELD TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2005**