

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011**



Dave Yost • Auditor of State

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

We have reviewed the Independent Auditors' Report of Fairfield Township, Butler County, prepared by Bastin & Company, LLC, for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the Independent Auditors' Report on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The Independent Auditors' Report also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 15, 2012

This page intentionally left blank.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2011.....	3
Notes to the Financial Statements	4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Schedule of Prior Audit Findings.....	15

This page intentionally left blank.

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Township Board of Trustees
Fairfield Township, Butler County, Ohio

We have audited the accompanying financial statements of Fairfield Township, Butler County, Ohio, (the Township) as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2011 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, 2011, or its changes in financial position, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2011, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 1, during 2011 Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2012, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
August 17, 2012

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Other Local Taxes	\$ 681,086	\$ 6,213,688	\$ -	\$ -	\$ 6,894,774
Intergovernmental Receipts	788,839	1,061,759	-	98,752	1,949,350
Special Assessments	-	107,508	-	-	107,508
Charges for Services	-	310,250	-	-	310,250
Licenses, Permits and Fees	275,071	9,431	-	-	284,502
Fines and Forfeitures	38,673	33,506	-	-	72,179
Earnings on Investments	12,063	77	-	-	12,140
Miscellaneous	19,839	26,172	-	-	46,011
Total Cash Receipts	1,815,571	7,762,391	-	98,752	9,676,714
<i>Cash Disbursements:</i>					
Current:					
General Government	1,068,110	-	-	-	1,068,110
Public Safety	-	4,819,857	-	-	4,819,857
Public Works	190,976	569,818	-	-	760,794
Health	9,554	-	-	-	9,554
Conservation/Recreation	134,154	-	-	-	134,154
Capital Outlay	103,861	120,877	-	86,285	311,023
Debt Service:					
Redemption of Principal	-	3,480,000	120,000	-	3,600,000
Interest and Fiscal Charges	-	579,592	6,600	-	586,192
Total Cash Disbursements	1,506,655	9,570,144	126,600	86,285	11,289,684
Receipts Over (Under) Disbursements	308,916	(1,807,753)	(126,600)	12,467	(1,612,970)
<i>Other Financing Receipts (Disbursements):</i>					
Sale of Notes	-	2,016,535	-	-	2,016,535
Issuance Costs	-	(16,535)	-	-	(16,535)
Transfers-In	-	-	110,650	-	110,650
Transfers-Out	-	(110,650)	-	-	(110,650)
Advances-In	787,264	786,556	-	-	1,573,820
Advances Out	(786,556)	(787,264)	-	-	(1,573,820)
Other Financing Sources	12,895	11,599	-	-	24,494
Other Financing Uses	(24)	(544,928)	-	-	(544,952)
Total Other Financing Receipts (Disbursements)	13,579	1,355,313	110,650	-	1,479,542
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	322,495	(452,440)	(15,950)	12,467	(133,428)
Fund Cash Balances, January 1	5,634,503	5,427,069	15,950	319,132	11,396,654
Fund Cash Balances, December 31:					
Restricted	-	4,974,629	-	331,599	5,306,228
Assigned	57,315	-	-	-	57,315
Unassigned	5,899,683	-	-	-	5,899,683
Fund Cash Balances, December 31	\$ 5,956,998	\$ 4,974,629	\$ -	\$ 331,599	\$ 11,263,226

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, 2011**

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 participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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. 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.

Money market mutual funds are recorded at share values the mutual funds report.

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

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

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 Fund:

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 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 Projects Funds:

Fairfield Township RID Project Fund - This fund accumulates resources for construction.

Princeton Road TIF Fund - This fund accumulates resources for road construction of Princeton Road.

E. Budgetary Process

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

1. Appropriations

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

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

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 2011 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011 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.

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.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

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:

	<u>2011</u>
Demand deposits	<u>\$9,167,147</u>
Total deposits	<u>9,167,147</u>
Money market	<u>2,096,079</u>
Total Investments	<u>2,096,079</u>
Total Deposits and Investments	<u><u>\$11,263,226</u></u>

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

Investments: Investments in money market funds are not evidenced by securities that exist in physical or book-entry form.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,611,539	\$ 2,615,730	\$ 4,191
Special Revenue	10,568,107	10,577,081	8,974
Debt Service	110,650	110,650	-
Capital Projects	-	98,752	98,752
Total	\$ 13,290,296	\$ 13,402,213	\$ 111,917

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,883,375	\$ 2,350,550	\$ 532,825
Special Revenue	13,425,263	11,112,418	2,312,845
Debt Service	126,600	126,600	-
Capital Projects	111,946	86,285	25,661
Total	\$ 16,547,184	\$ 13,675,853	\$ 2,871,331

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.

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, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Limited Tax General Obligation Bonds, Series 2005	\$4,060,000	3.00 – 5.00%
Long Term General Obligation Bonds, Series 2006	3,745,000	4.00 – 4.40%
By-Pass 4 Township General Obligation Bonds, Series 2009	2,760,000	1.875 – 6.50%
Various Purpose Road Improvement Bond Anticipation Notes, Series 2011	<u>2,000,000</u>	1.625%
Total	<u><u>\$12,565,000</u></u>	

The Township issued \$5,260,000 general obligation bonds in July 2005, for improvements to Township roads. The bonds will be repaid in yearly installments, with a variable interest rate of 3.00% to 5.00%, over a twenty year period, maturing in December 2024. The general obligation bonds are unvoted general obligation debt of the Township. They are direct obligations and pledge the full faith and credit of the government. The Township intends to pay debt service on a portion of the bonds from service payments in lieu of taxes.

The Township issued \$4,360,000 in limited tax general obligation bonds in July of 2006, to finance public infrastructure improvements in the Township and any land acquisitions necessary for those improvements. The bonds will be repaid with a variable interest rate of 4.00% to 4.40%, maturing in December 2027. The bonds are unvoted general obligation debt of the Township. The Township intends to pay a portion of the bonds from service payments in lieu of taxes.

The Township joint ventured with the City of Hamilton and Butler County on the By-Pass 4 Recovery Zone Transportation Improvement District (TID) debt issuance. In 2009 bonds were issued for a total of \$7,275,000, of which the Township's responsibility is \$2,860,000. The bonds are payable in annual principal and semi-annual interest payments over a twenty year period ending in December 2029, with a variable interest rate of 1.875% to 6.5%. The general obligation debt is a direct obligation and pledges the full faith and credit of the government. The Debt is subject to an interest credit from the Internal Revenue Service at 45%.

The Township issued \$2,000,000 in Various Purpose Road Improvement Bond Anticipation Notes, Series 2011, Second Renewal, on June 8, 2011. Proceeds and a premium from this note and additional resources of the Township were used to pay the cost of issuance and retire \$3,000,000 of Township Road Improvement Bond Anticipation Notes, Series 2010, First Renewal issued in June 2010 for the Princeton - Gilmore Road improvement project. The notes carry an interest rate of 1.625% and are due June 7, 2012. The notes are a direct obligation and pledge the full faith, credit and revenue of the Township.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

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

Year Ending December 31:	Limited Tax GO Bonds, Series 2005	Long Term GO Bonds, Series 2006	By-Pass 4 Township GO Bonds, Series 2009	Road Improvement Bond Anticipation Notes, Series 2011	Total
2012	\$429,925	\$330,232	\$252,381	\$2,032,410	\$3,044,948
2013	428,425	328,432	255,006	-	1,011,863
2014	431,425	331,214	251,856	-	1,014,495
2015	428,675	328,583	253,181	-	1,010,439
2016	430,425	330,745	253,919	-	1,015,089
2017-2021	2,143,875	1,646,490	1,275,826	-	5,066,191
2022-2026	1,285,025	1,641,787	1,271,812	-	4,198,624
2027-2029	-	328,860	764,700	-	1,093,560
Total	<u>\$5,577,775</u>	<u>\$5,266,343</u>	<u>\$4,578,681</u>	<u>\$2,032,410</u>	<u>\$17,455,209</u>

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 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 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.

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2011 and 2010, OPERS participants in law enforcement contributed 11.6% and 11.1%, respectively, of full-time police members' wages. The Township contributed 18.1% and 17.87, respectively, of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

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, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	\$25,190,528	\$26,101,322

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$48,000.

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>Contributions to OTARMA</u>	
2010	\$65,468
2011	75,581

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.

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 debt issued was \$2,860,000 (see Note 5 for details).

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Township Board of Trustees
Fairfield Township, Butler County, Ohio

We have audited the financial statements of Fairfield Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2011, and have issued our report thereon dated August 17, 2012, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, we noted the Township implemented Governmental Accounting Standard Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Township Board of Trustees and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Bastin & Company, LLC

Cincinnati, Ohio
August 17, 2012

**FAIRFIELD TOWNSHIP
BUTLER COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

There were no findings in the prior year audit report.

This page intentionally left blank.



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
NOVEMBER 29, 2012**