



Mary Taylor, CPA
Auditor of State

**FAIRFIELD TOWNSHIP
HIGHLAND COUNTY**

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**FAIRFIELD TOWNSHIP
HIGHLAND COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Fairfield Township
Highland County
200 South Street
Leesburg, Ohio 45135

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfield Township, Highland County, Ohio (the Township), as of and for the year ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. The Township processes its financial transactions with 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 audit 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 our audit provides a reasonable basis for our opinion.

We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfield Township, Highland County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund (2005 only), and the FEMA Fund (2005 only), thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, 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 *Township Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

November 29, 2007

Fairfield Township
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

This discussion and analysis of the Fairfield Township's financial performance provides an overall review of the Government's financial activities for the years ended December 31, 2005 and 2006, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 and 2006 are as follows:

In 2006, the Township's net assets decreased \$28,743 or 9.7 percent. This decrease was in large part due to an increase in the Township's expenses relative to the new township community park. The fund most affected by the increase in expenditures was the General Fund, which realized the greatest burden of increased costs in 2006.

The Township's general receipts are primarily property and local government sales tax distributions. During 2005 & 2006 these receipts represent respectively 17% and 21% percent of the total cash received for governmental activities during the year. Property and local government sales tax distribution receipts for 2005 changed very little compared to 2006 as development within the Township has remained consistent and property values showed only moderate increases.

The Township's program receipts are primarily gasoline excise tax, park donations and park grants in 2005 and 2006. In 2005 the FEMA grant was a primary program receipt. Gasoline excise tax receipts related to fuel sales in 2005 were \$77,233 or 23% of the overall receipts compared to \$86,201 or 32% in 2006. This increase is due to the state raising the amount of tax on fuel. Park donations in 2005 were \$15,155 or 5% of the overall receipts compared to \$20,828 or 8% of the overall receipts in 2006. This increase was due to more aggressive solicitation for donations to establish the community park. Park grant receipts were \$18,600 or 6% of the overall receipts in 2005 compared to \$22,037 or 8% of the overall receipts in 2006. This increase was due to more grant funds being received from the NatureWorks Grant. In 2005 a FEMA Grant was received for the ice storm clean up in the amount of \$38,333 or 12% of the overall receipts in 2005.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

Fairfield Township
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 & 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major funds in 2005 were the General Fund, Gasoline Tax Fund, Road & Bridge Fund, FEMA Fund and the Miscellaneous

Fairfield Township
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

Capital Projects Fund. The Township's major funds in 2006 were the General Fund, Gasoline Tax Fund, Community Park Fund and the Miscellaneous Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2006 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$267,517	\$296,260
Total Assets	\$267,517	\$296,260
Net Assets		
Restricted for Other Purposes	193,606	162,737
Unrestricted	73,911	133,523
Total Net Assets	\$267,517	\$296,260

As mentioned previously, net assets of governmental activities decreased \$ 28,743 or 9.7 percent between 2005 and 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- The Township developed a Community Park during FY 2006 which increased the spending considerably.
- A Federal Emergency Management Agency (FEMA) grant was received in 2005 to help defray the cost related to an ice storm in late 2004.

Table 2 reflects the changes in net assets in 2005 and 2006.

Fairfield Township
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$14,600	\$13,040
Operating Grants and Contributions	110,225	133,131
Capital Grants and Contributions	42,865	33,755
Total Program Receipts	167,690	179,926
General Receipts:		
Property and Other Local Taxes	60,409	58,958
Grants and Entitlements Not Restricted to Specific Programs	30,940	81,782
Interest	13,257	6,155
Miscellaneous	422	1,394
Total General Receipts	105,028	148,289
Total Receipts	272,718	328,215
Disbursements:		
General Government	58,537	69,681
Public Works	110,301	102,931
Health	26,438	22,355
Other		5,483
Capital Outlay	106,185	27,745
Total Disbursements	301,461	228,195
Increase (Decrease) in Net Assets	(28,743)	100,020
Net Assets, Beginning of Year	296,260	196,240
Net Assets, End of Year	\$267,517	\$296,260

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of officer's salaries and benefits, and the purchasing of necessary items for the workings of the Township. Public works include maintaining township roads for travel. Health includes maintaining the township's 7 cemeteries.

Capital outlay includes the development of the new Community Park, cemetery mowers and the cemetery tractor and loader.

Fairfield Township
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

Governmental Activities

If you look at the Statement of Activities in this report, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services.

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$58,537	(\$58,537)	\$69,681	(\$69,681)
Public Works	110,301	(76)	102,931	30,200
Health	26,438	(11,838)	22,355	(9,315)
Capital Outlay	106,185	(63,320)	27,745	6,010
Other			5,483	(5,483)
Total Expenses	\$301,461	(\$133,771)	\$228,195	(\$48,269)

The Government's Funds

In 2005 total governmental funds had receipts of \$328,215 and disbursements of \$228,195. In 2006 the total governmental funds had receipts of \$272,718 and disbursements of \$301,461. The major change between FY 2005 & 2006 was the creation of the Community Park.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005 and 2006, the Township amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant except for 2005 Intergovernmental which was due to an estate tax settlement of \$54,532 that was received but not budgeted.

Final disbursements were budgeted very closely to actual disbursements. The Government always spent very close to budgeted amounts as demonstrated by the minor reported variances. The exception in disbursements was in 2005 and 2006 when the township developed the Community Park.

Capital Assets and Debt Administration

Capital Assets

The Government does not report capital assets under the cash basis of accounting.

Debt

The Township had no debt during the period January 1, 2005 through December 31, 2006.

Fairfield Township
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, legislative bodies and management with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Dwight O. Hodson Fiscal Officer, Fairfield Township, PO Box 291, Leesburg, Ohio 45135.

FAIRFIELD TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$267,517</u>
<i>Total Assets</i>	<u><u>\$267,517</u></u>
Net Assets	
Restricted for:	
Road Maintenance	161,033
Capital Projects	17,519
Cemetery Bequests	2,065
Other Purposes	12,989
Unrestricted	<u>73,911</u>
<i>Total Net Assets</i>	<u><u>\$267,517</u></u>

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
General Government	\$58,537				(\$58,537)
Public Works	110,301		\$110,225		(76)
Health	26,438	\$14,600			(11,838)
Capital Outlay	106,185			\$42,865	(63,320)
<i>Total Governmental Activities</i>	<u>\$301,461</u>	<u>\$14,600</u>	<u>\$110,225</u>	<u>\$42,865</u>	<u>(133,771)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					60,409
Grants and Entitlements not Restricted to Specific Programs					30,940
Interest					13,257
Miscellaneous					422
<i>Total General Receipts</i>					<u>105,028</u>
Change in Net Assets					(28,743)
<i>Net Assets Beginning of Year</i>					<u>296,260</u>
<i>Net Assets End of Year</i>					<u><u>\$267,517</u></u>

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General	Gasoline Tax Fund	Community Park Fund	Miscellaneous Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$73,911	\$161,033	\$2,865	\$14,654	\$15,054	\$267,517
<i>Total Assets</i>	<u>\$73,911</u>	<u>\$161,033</u>	<u>\$2,865</u>	<u>\$14,654</u>	<u>\$15,054</u>	<u>\$267,517</u>
Fund Balances						
Reserved:						
Reserved for Permanent Fund Purpose					\$2,065	\$2,065
Unreserved:						
Undesignated, Reported in:						
General Fund	\$73,911					73,911
Special Revenue Funds		\$161,033			12,989	174,022
Capital Projects Funds			\$2,865	\$14,654		17,519
<i>Total Fund Balances</i>	<u>\$73,911</u>	<u>\$161,033</u>	<u>\$2,865</u>	<u>\$14,654</u>	<u>\$15,054</u>	<u>\$267,517</u>

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Gasoline Tax Fund	Community Park Fund	Miscellaneous Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$39,657				\$20,751	\$60,408
Licenses, Permits and Fees	10,800					10,800
Intergovernmental	25,563	86,201		22,037	29,402	163,203
Interest	6,237	6,646			374	13,257
Other			20,828		3,800	24,628
<i>Total Receipts</i>	<u>82,257</u>	<u>92,847</u>	<u>20,828</u>	<u>22,037</u>	<u>54,327</u>	<u>272,296</u>
Disbursements						
Current:						
General Government	57,811				726	58,537
Public Works		54,672			55,629	110,301
Health	26,438					26,438
Capital Outlay	42		33,125	65,383	7,635	106,185
<i>Total Disbursements</i>	<u>84,291</u>	<u>54,672</u>	<u>33,125</u>	<u>65,383</u>	<u>63,990</u>	<u>301,461</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,034)</u>	<u>38,175</u>	<u>(12,297)</u>	<u>(43,346)</u>	<u>(9,663)</u>	<u>(29,165)</u>
Other Financing Sources (Uses)						
Transfers In				58,000		58,000
Transfers Out	(58,000)					(58,000)
Other Financing Sources	422		0	0	0	422
<i>Total Other Financing Sources (Uses)</i>	<u>(57,578)</u>	<u>0</u>	<u>0</u>	<u>58,000</u>	<u>0</u>	<u>422</u>
<i>Net Change in Fund Balances</i>	<u>(59,612)</u>	<u>38,175</u>	<u>(12,297)</u>	<u>14,654</u>	<u>(9,663)</u>	<u>(28,743)</u>
<i>Fund Balances Beginning of Year</i>	<u>133,523</u>	<u>122,858</u>	<u>15,162</u>	<u>0</u>	<u>24,717</u>	<u>296,260</u>
<i>Fund Balances End of Year</i>	<u><u>\$73,911</u></u>	<u><u>\$161,033</u></u>	<u><u>\$2,865</u></u>	<u><u>\$14,654</u></u>	<u><u>\$15,054</u></u>	<u><u>\$267,517</u></u>

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$31,950	\$31,950	\$39,657	\$7,707
Licenses, Permits and Fees	4,000	4,000	10,800	6,800
Intergovernmental	18,200	20,716	25,563	4,847
Interest	1,200	1,200	6,237	5,037
<i>Total Receipts</i>	<u>55,350</u>	<u>57,866</u>	<u>82,257</u>	<u>24,391</u>
Disbursements				
Current:				
General Government	117,541	112,041	57,811	54,230
Health	30,700	36,200	26,438	9,762
Capital Outlay	7,000	7,000	42	6,958
<i>Total Disbursements</i>	<u>155,241</u>	<u>155,241</u>	<u>84,291</u>	<u>70,950</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(99,891)</u>	<u>(97,375)</u>	<u>(2,034)</u>	<u>95,341</u>
Other Financing Sources (Uses)				
Transfers Out		(30,000)	(58,000)	(28,000)
Other Financing Sources			422	422
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(30,000)</u>	<u>(57,578)</u>	<u>(27,578)</u>
<i>Net Change in Fund Balance</i>	(99,891)	(127,375)	(59,612)	67,763
<i>Fund Balance Beginning of Year</i>	<u>133,523</u>	<u>133,523</u>	<u>133,523</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$33,632</u></u>	<u><u>\$6,148</u></u>	<u><u>\$73,911</u></u>	<u><u>\$67,763</u></u>

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	59,682	84,125	86,201	2,076
Interest	600	600	6,646	6,046
<i>Total Receipts</i>	60,282	84,725	92,847	8,122
Disbursements				
Current:				
Public Works	183,140	183,140	54,672	128,468
<i>Total Disbursements</i>	183,140	183,140	54,672	128,468
<i>Net Change in Fund Balance</i>	(122,858)	(98,415)	38,175	136,590
<i>Fund Balance Beginning of Year</i>	122,858	122,858	122,858	0
<i>Fund Balance End of Year</i>	\$0	\$24,443	\$161,033	\$136,590

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$296,260</u>
<i>Total Assets</i>	<u><u>\$296,260</u></u>
Net Assets	
Restricted for:	
Road Maintenance	125,274
Cemetery Bequests	2,018
Other Purposes	35,445
Unrestricted	<u>133,523</u>
<i>Total Net Assets</i>	<u><u>\$296,260</u></u>

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
General Government	\$69,681				(\$69,681)
Public Works	102,931		\$133,131		30,200
Health	22,355	\$13,040			(9,315)
Other	5,483				(5,483)
Capital Outlay	27,745			\$33,755	6,010
<i>Total Governmental Activities</i>	<u>\$228,195</u>	<u>\$13,040</u>	<u>\$133,131</u>	<u>\$33,755</u>	<u>(48,269)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					58,958
Grants and Entitlements not Restricted to Specific Programs					81,782
Interest					6,155
Miscellaneous					1,394
<i>Total General Receipts</i>					148,289
Change in Net Assets					100,020
<i>Net Assets Beginning of Year</i>					<u>196,240</u>
<i>Net Assets End of Year</i>					<u>\$296,260</u>

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General	Gasoline Tax Fund	Road & Bridge Fund	FEMA Fund	Miscellaneous Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$133,523	\$122,858	\$2,416	\$0	\$0	\$37,463	\$296,260
<i>Total Assets</i>	<u>\$133,523</u>	<u>\$122,858</u>	<u>\$2,416</u>	<u>\$0</u>	<u>\$0</u>	<u>\$37,463</u>	<u>\$296,260</u>
Fund Balances							
Reserved:							
Reserved for Permanent Fund Purpose						\$2,018	\$2,018
Unreserved:							
Undesignated , Reported in:							
General Fund	\$ 133,523						133,523
Special Revenue Funds		\$ 122,858	\$ 2,416	\$0	\$0	20,283	145,557
Capital Projects Funds						15,162	15,162
<i>Total Fund Balances</i>	<u>\$133,523</u>	<u>\$122,858</u>	<u>\$2,416</u>	<u>\$0</u>	<u>\$0</u>	<u>\$37,463</u>	<u>\$296,260</u>

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Gasoline Tax Fund	Road & Bridge Fund	FEMA Fund	Miscellaneous Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$39,197		\$19,761				\$58,958
Licenses, Permits and Fees	8,800						8,800
Intergovernmental	76,620	\$77,233	5,162	\$38,333	\$18,600	\$17,565	233,513
Interest	3,542	2,525				88	6,155
Other	0					19,395	19,395
<i>Total Receipts</i>	<u>128,159</u>	<u>79,758</u>	<u>24,923</u>	<u>38,333</u>	<u>18,600</u>	<u>37,048</u>	<u>326,821</u>
Disbursements							
Current:							
General Government	69,136		545				69,681
Public Works		28,440	25,276	38,333		10,882	102,931
Health	22,355						22,355
Capital Outlay	2,800				22,750	2,195	27,745
<i>Total Disbursements</i>	<u>94,291</u>	<u>28,440</u>	<u>25,821</u>	<u>38,333</u>	<u>22,750</u>	<u>13,077</u>	<u>222,712</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33,868</u>	<u>51,318</u>	<u>(898)</u>	<u>0</u>	<u>(4,150)</u>	<u>23,971</u>	<u>104,109</u>
Other Financing Sources (Uses)							
Transfers In					4,150		4,150
Transfers Out	(4,150)						(4,150)
Advances In	25,850				25,850		51,700
Advances Out	(25,850)				(25,850)		(51,700)
Other Financing Sources	14	1,380					1,394
Other Financing Uses	(5,483)						(5,483)
<i>Total Other Financing Sources (Uses)</i>	<u>(9,619)</u>	<u>1,380</u>	<u>0</u>	<u>0</u>	<u>4,150</u>	<u>0</u>	<u>(4,089)</u>
<i>Net Change in Fund Balances</i>	24,249	52,698	(898)	0	0	23,971	100,020
<i>Fund Balances Beginning of Year</i>	<u>109,274</u>	<u>70,160</u>	<u>3,314</u>	<u>0</u>	<u>0</u>	<u>13,492</u>	<u>196,240</u>
<i>Fund Balances End of Year</i>	<u>\$133,523</u>	<u>\$122,858</u>	<u>\$2,416</u>	<u>\$0</u>	<u>\$0</u>	<u>\$37,463</u>	<u>\$296,260</u>

See accompanying notes to the basic financial statements

**FAIRFIELD TOWNSHIP
HIGHLAND COUNTY**
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$30,115	\$30,115	\$39,197	\$9,082
Licenses, Permits and Fees	4,000	4,000	8,800	4,800
Intergovernmental	21,000	21,000	76,620	55,620
Interest	1,200	1,200	3,542	2,342
<i>Total Receipts</i>	<u>56,315</u>	<u>56,315</u>	<u>128,159</u>	<u>71,844</u>
Disbursements				
Current:				
General Government	132,221	120,637	69,136	51,501
Health	23,400	29,500	22,355	7,145
Conservation-Recreation	4,000	4,000	0	4,000
Capital Outlay	7,000	7,000	2,800	4,200
<i>Total Disbursements</i>	<u>166,621</u>	<u>161,137</u>	<u>94,291</u>	<u>66,846</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(110,306)</u>	<u>(104,822)</u>	<u>33,868</u>	<u>138,690</u>
Other Financing Sources (Uses)				
Transfers Out			(4,150)	(4,150)
Advances In			25,850	25,850
Advances Out			(25,850)	(25,850)
Other Financing Sources	1,000	1,000	14	(986)
Other Financing Uses		(5,483)	(5,483)	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,000</u>	<u>(4,483)</u>	<u>(9,619)</u>	<u>(5,136)</u>
<i>Net Change in Fund Balance</i>	(109,306)	(109,305)	24,249	133,554
<i>Fund Balance Beginning of Year</i>	<u>109,274</u>	<u>109,274</u>	<u>109,274</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$32)</u>	<u>(\$31)</u>	<u>\$133,523</u>	<u>\$133,554</u>

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	59,682	59,682	77,233	17,551
Interest	600	600	2,525	1,925
<i>Total Receipts</i>	60,282	60,282	79,758	19,476
Disbursements				
Current:				
Public Works	124,659	124,659	28,440	96,219
<i>Total Disbursements</i>	124,659	124,659	28,440	96,219
<i>Excess of Receipts Over (Under) Disbursements</i>	(64,377)	(64,377)	51,318	115,695
Other Financing Sources				
Other Financing Sources	0	0	1,380	1,380
<i>Total Other Financing Sources</i>	0	0	1,380	1,380
<i>Net Change in Fund Balance</i>	(64,377)	(64,377)	52,698	117,075
<i>Fund Balance Beginning of Year</i>	70,160	70,160	70,160	0
<i>Fund Balance End of Year</i>	\$5,783	\$5,783	\$122,858	\$117,075

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$17,230	\$17,230	\$19,761	\$2,531
Intergovernmental	4,664	4,664	5,162	498
<i>Total Receipts</i>	21,894	21,894	24,923	3,029
Disbursements				
Current:				
General Government	700	700	545	155
Public Works	28,046	28,046	25,276	2,770
<i>Total Disbursements</i>	28,746	28,746	25,821	2,925
<i>Excess of Receipts Over (Under) Disbursements</i>	(6,852)	(6,852)	(898)	5,954
<i>Fund Balance Beginning of Year</i>	3,315	3,315	3,314	(1)
<i>Fund Balance End of Year</i>	(\$3,537)	(\$3,537)	\$2,416	\$5,953

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
FEMA FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Intergovernmental	<u>38,333</u>	<u>38,333</u>	<u>38,333</u>	<u>0</u>
<i>Total Receipts</i>	<u>38,333</u>	<u>38,333</u>	<u>38,333</u>	<u>0</u>
Disbursements				
Current:				
Public Works	<u>0</u>	<u>0</u>	<u>38,333</u>	<u>(38,333)</u>
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>38,333</u>	<u>(38,333)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	38,333	38,333	0	(38,333)
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$38,333</u></u>	<u><u>\$38,333</u></u>	<u><u>\$0</u></u>	<u><u>(\$38,333)</u></u>

See accompanying notes to the basic financial statements

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 1 – Reporting Entity

The Fairfield Township, Highland County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, road maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Highland County North Joint Fire and Ambulance District to provide fire protection services.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provided support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amounts to the Township.

The Township has no component units.

C. Jointly Governed Organizations

The Township is part of the Highland County Joint Township Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints the Hospital Board of Governors which is composed of one member from each township and three at-large members.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include all the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads. (2005 only)

FEMA Fund - This fund receives grants monies from the Federal Emergency Management Authority for the ice storm clean up. (2005 only)

Miscellaneous Capital Projects Fund - This fund receives the Natureworks grant monies from the Ohio Department of Natural Resources for establishment of an outdoor recreation park.

Community Park Fund – This fund receives donations for the establishment of a park. (2006 only)

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005 and 2006, the Township invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2006 and 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$6,237 and during 2005 was \$3,542.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for gasoline tax. Restricted net assets represent \$193,606 of total net assets of \$267,517 in 2006. In 2005, restricted net assets represent \$162,737 of total net assets of \$296,260.

The Township’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 2 – Summary of Significant Accounting Policies (continued)

J. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments J. Interfund Transactions (Continued) from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 5 – Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006 and 2005 the Township had \$232,422 and \$281,557, respectively, in STAR Ohio. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the Fiscal Officer, Board of Trustees, or qualified trustee."

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1,

2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the years ended December 31, 2006 and 2005 were \$1.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	<u>2006</u>	<u>2005</u>
Residential	\$29,636,160	\$33,219,770
Agriculture	7,635,070	7,985,070
Commercial/Industrial/Mineral	3,759,250	5,748,450
Public Utility Property		
Real	53,070	72,470
Personal	1,934,270	1,892,770
Tangible Personal Property	7,865,571	6,926,765
Total Assessed Value	\$50,883,391	\$55,845,295

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 7 – 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above..

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

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

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, 2005 and 2004 (the latest information available).

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 7 – Risk Management (Continued)

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2004</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when

The related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$5,050. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Township Contributions to OTARMA</u>	
2004	\$2,302
2005	\$2,197
2006	\$2,525

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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 was incurred or reported prior to the withdrawal.

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$7,567, \$6,915, and \$6,724 respectively. The full amount has been contributed for 2006, 2005 and 2004.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.7 and 13.55 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Note 9 - Postemployment Benefits (Continued)

the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$7,567. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 10 - Compliance

The Township Trustees failed to make appropriations to the FEMA Grant Fund and the Miscellaneous Capital Projects Fund in 2005 and 2006, and failed to make appropriations to the Community Park Capital Projects Fund in 2006. Because no appropriations were made, expenditures exceeded appropriations in these funds.

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Mary Taylor, CPA

Auditor of State

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

Fairfield Township
Highland County
200 South Street
Leesburg, Ohio 45135

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund balance of Fairfield Township, Highland County, Ohio (the Township), as of and for the year ended December 31, 2006 and 2005 which collectively comprise the Township's basic financial statements, and have issued our report thereon dated November 29, 2007, 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001 through 2006-003.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe none of the significant deficiencies described above is a material weakness.

We noted certain matters that we reported to the Township's management in a separate letter dated November 29, 2007.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-003.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated November 29, 2007.

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



Mary Taylor, CPA
Auditor of State

November 29, 2007

FAIRFIELD TOWNSHIP
HIGHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Noncompliance Citation / Significant Deficiency

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision shall expend money unless it has been appropriated. The Township Trustees failed to make any appropriations for the FEMA Grant Fund or Miscellaneous Capital Projects Fund in 2005. They also failed to make any appropriations to the FEMA Fund, Community Park Capital Projects Fund, and the Miscellaneous Capital Projects Fund in 2006. Therefore, all expenditures from these funds exceeded appropriations. The Trustees should have made an appropriation resolution in the minute records to appropriate money to these funds

Officials' Response:

We did not receive a response from Officials regarding this finding.

FINDING NUMBER 2006-002

Noncompliance Citation / Significant Deficiency

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or giving 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.

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

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

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

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2006-002
(Continued)**

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified for 24% of the 2005 and 35% of the 2006 transactions tested. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

Super blanket purchase orders were used for 70% of the expenditures tested. Super blanket purchase orders should only be used for specific recurring expenses as described in #3 above. Using super blanket purchase orders for non recurring expenses circumvents the controls established by the use of regular purchase orders. Regular purchase orders or regular blanket purchase orders should be used for all other expenditures.

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

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

We did not receive a response from Officials regarding this finding.

FINDING NUMBER 2006-003

Noncompliance Citation / Significant Deficiency

Ohio Rev. Code, Section 5705.14 (E), provides that money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority, Ohio Revised Code Section 5705.14 indicates that before an inter-fund transfer can be made from the General Fund, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board. See also 1989 Op. Att't Gen. No 89-075 (Ohio Rev. Code Section 5705.14 (E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general fund to specific funds.

**FINDING NUMBER 2006-003
(Continued)**

Some advances were posted to the accounting records that had not been properly authorized by the Board of Trustees by resolution in the minute records. There is no authority for the Fiscal Officer to post advances that have not been authorized by the Board. Per discussion with the Fiscal Officer, the advances that have not been repaid were intended to be transfers. An adjustment was made to the financial statements to reclassify \$58,000 of advances in 2006 and \$4,150 in 2005 from the General Fund to the Miscellaneous Capital Projects Fund. We recommend that the Board of Trustees make a resolution in the minutes to change the advances not repaid to transfers. Any advance or transfer should be authorized by Board of Trustee resolution in the minute record.

Officials' Response:

We did not receive a response from Officials regarding this finding.

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**FAIRFIELD TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Revised Code 5705.09(F), fund not established for the OPWC grant	Yes	Corrected
2004-002	Revised Code 5705.41(D), prior certification not obtained for expenditures	No	Not corrected – repeated as 2006-02



Mary Taylor, CPA
Auditor of State

FAIRFIELD TOWNSHIP

HIGHLAND 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
DECEMBER 27, 2007**