

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Fairfield Township  
5311 Johnstown Road NE  
Mineral City, Ohio 44656

We have reviewed the *Report of Independent Accountants* of Fairfield Township, Tuscarawas County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 17, 2006

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**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

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Accountants and Consultants

## REPORT OF INDEPENDENT ACCOUNTANTS

Fairfield Township  
Tuscarawas County  
5311 Johnstown Road N.E.  
Mineral City, Ohio 44656

To the Board of Trustees

We have audited the accompanying financial statements of Fairfield Township, Tuscarawas County, Ohio, (the Township) as of and for the years ended December 31, 2005, and December 31, 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. While the Township does not follow GAAP, auditing standards generally accepted in the United States of America require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure the financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

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

The aforementioned revision to accounting principles generally accepted in the United States of America also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

KNOX & KNOX

Orrville, Ohio  
August 1, 2006



**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
Cash Receipts:			
Taxes	\$33,582	\$89,954	\$123,536
Intergovernmental Receipts	41,491	87,705	129,196
Special Assessments		588	588
Interest	1,236	397	1,633
Miscellaneous	<u>851</u>	<u>1,867</u>	<u>2,718</u>
Total Cash Receipts	<u>77,160</u>	<u>180,511</u>	<u>257,671</u>
Cash Disbursements:			
General Government	61,934		61,934
Public Safety		48,965	48,965
Public Works	70,093	109,054	179,147
Health	7,878		7,878
Capital Outlay		5,370	5,370
Debt Service			
Principal		59,900	59,900
Interest		<u>1,797</u>	<u>1,797</u>
Total Cash Disbursements	<u>139,905</u>	<u>225,086</u>	<u>364,991</u>
Total Receipts (Under) Disbursements	(62,745)	(44,575)	(107,320)
Fund Cash Balances, January 1, 2005	<u>87,808</u>	<u>130,232</u>	<u>218,040</u>
Fund Cash Balances, December 31, 2005	<u>\$25,063</u>	<u>\$85,657</u>	<u>\$110,720</u>
Reserve for Encumbrances, December 31, 2005	<u>          </u>	<u>          </u>	<u>          </u>

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

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts:			
Taxes	\$29,937	\$85,945	\$115,882
Intergovernmental Receipts	87,813	86,190	174,003
Special Assessments		588	588
Interest	1,163	328	1,491
Miscellaneous	369	6,674	7,043
Total Cash Receipts	119,282	179,725	299,007
Cash Disbursements:			
General Government	65,512		65,512
Public Safety		32,259	32,259
Public Works	19,189	97,012	116,201
Health	2,579		2,579
Debt Service			
Principal		15,100	15,100
Interest		2,511	2,511
Total Cash Disbursements	87,280	146,882	234,162
Total Receipts (Under) Disbursements	32,002	32,843	64,845
Fund Cash Balances, January 1, 2004	55,806	97,389	153,195
Fund Cash Balances, December 31, 2004	\$87,808	\$130,232	\$218,040
Reserve for Encumbrances, December 31, 2004			

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

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Fairfield Township, Tuscarawas County, (the Township) is a body corporate and politic 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. The Township provides general governmental services, including road and cemetery maintenance.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. 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:

**General Fund** - The General Fund is the general operating fund. It is used for all financial resources except those required by law or contract to be restricted.

**Special Revenue Funds** - These funds are used to account for proceeds from specific sources (other than for capital projects) that are legally restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

*Motor Vehicle License Fund* - This fund receives motor vehicle taxes for constructing, maintaining and repairing Township roads.

*Gasoline Tax Fund* - This fund receives gasoline taxes for maintaining and repairing Township roads.

*Road and Bridge Fund* - This fund receives gasoline and property taxes for constructing, maintaining and repairing Township roads.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. Budgetary Process (continued)

**Appropriations** - Budgetary expenditures (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.

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

**Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

F. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as leaving employment. Unpaid leave is not reflected as a liability under the basis of accounting used by the Township.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of the Township's deposits at December 31, 2005 was \$110,720 and at December 31, 2004 was \$218,040. Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and December 31, 2004 are as follows:

Fund Type	2005 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$75,740	\$77,160	\$1,420
Special Revenue	164,718	180,511	15,793
Total	\$240,458	\$257,671	\$17,213

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**3. BUDGETARY ACTIVITY (continued)**

<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$163,546	\$139,905	\$23,641
Special Revenue	<u>294,950</u>	<u>225,086</u>	<u>69,864</u>
Total	<u>\$458,496</u>	<u>\$364,991</u>	<u>\$93,505</u>

<u>2004 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$67,453	\$119,282	\$51,829
Special Revenue	<u>139,238</u>	<u>179,725</u>	<u>40,487</u>
Total	<u>\$206,691</u>	<u>\$299,007</u>	<u>\$92,316</u>

<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$123,258	\$87,280	\$35,978
Special Revenue	<u>236,630</u>	<u>146,882</u>	<u>89,748</u>
Total	<u>\$359,888</u>	<u>\$234,162</u>	<u>\$125,726</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, for the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal property located within the Township.

Tangible personal property tax is assessed to property owners who must file a list of such property to the County by each April 30.

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**4. PROPERTY TAX** (continued)

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Township

**5. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employee's Retirement System (OPERS), OPERS is a cost-sharing, multiple-employer defined pension plan. The plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to: 277 East Town Street, Columbus, Ohio 43215 or by calling (614) 466-2085 or (800) 222-PERS (7377).

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5 % of their gross salaries. The Township contributed an amount equal to 13.55 % of the participants gross salaries for 2005 and 2004. The Township has paid all contributions required through December 31, 2005.

**6. RISK MANAGEMENT**

The Township has obtained insurance coverage for the following risks:

- Third-party claims;
- Automobile damage;
- Wrongful acts; and
- Property.

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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Fairfield Township  
Tuscarawas County  
5311 Johnstown Road N.E.  
Mineral City, Ohio 44656

To the Board of Trustees:

We have audited the financial statements of Fairfield Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 1, 2006 wherein we noted that the Township prepared its financial statements using accounting practices prescribed by the Auditor of State 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

A 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 grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted several matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township, in a separate letter dated August 1, 2006.

Fairfield Township  
Tuscarawas County  
Report of Independent Accountants on Compliance and Internal  
Control Required by *Government Auditing Standards*.  
Page 2

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

*KNOX & KNOX*

Orrville, Ohio  
August 1, 2006





**Auditor of State  
Betty Montgomery**

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800-282-0370

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**FAIRFIELD TOWNSHIP**

**TUSCARAWAS 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 9, 2006**