



**Auditor of State
Betty Montgomery**

FAIRFIELD TOWNSHIP
COLUMBIANA COUNTY

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**Auditor of State
Betty Montgomery**

Fairfield Township
Columbiana County
3201 State Route 164
Leetonia, Ohio 44431

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 29, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Fairfield Township
Columbiana County
3201 State Route 164
Leetonia, Ohio 44431

To the Board of Trustees:

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

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004 the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 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.



Betty Montgomery
Auditor of State

August 29, 2006

**FAIRFIELD TOWNSHIP
COLUMBIANA COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$73,035	\$509,345	\$0	\$582,380
Intergovernmental Receipts	213,358	194,535		407,893
Miscellaneous	40,244	2,569		42,813
Total Cash Receipts	<u>326,637</u>	<u>706,449</u>	<u>0</u>	<u>1,033,086</u>
Cash Disbursements:				
Current:				
General Government	68,243			68,243
Public Safety	36,564	100,318		136,882
Public Works	46,549	469,258		515,807
Health		5,158		5,158
Capital Outlay		47,218	248,024	295,242
Total Cash Disbursements	<u>151,356</u>	<u>621,952</u>	<u>248,024</u>	<u>1,021,332</u>
Total Receipts Over/(Under) Disbursements	<u>175,281</u>	<u>84,497</u>	<u>(248,024)</u>	<u>11,754</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		15,208	80,590	95,798
Transfers-Out	(80,590)	(15,208)	0	(95,798)
Total Other Financing Receipts/(Disbursements)	<u>(80,590)</u>	<u>0</u>	<u>80,590</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	94,691	84,497	(167,434)	11,754
Fund Cash Balances, January 1	<u>425,778</u>	<u>1,093,445</u>	<u>398,972</u>	<u>1,918,195</u>
Fund Cash Balances, December 31	<u>\$520,469</u>	<u>\$1,177,942</u>	<u>\$231,538</u>	<u>\$1,929,949</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$26,663</u>	<u>\$0</u>	<u>\$26,663</u>

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

FAIRFIELD TOWNSHIP
COLUMBIANA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Nonexpendable Trust</u>
Fund Cash Balances, January 1	<u>5,572</u>
Fund Cash Balances, December 31	<u><u>\$5,572</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>

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

**FAIRFIELD TOWNSHIP
COLUMBIANA COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$69,538	\$502,209	\$0	\$571,747
Intergovernmental Receipts	307,384	169,954		477,338
Miscellaneous	31,401	2,159		33,560
	<u>408,323</u>	<u>674,322</u>	<u>0</u>	<u>1,082,645</u>
Cash Disbursements:				
Current:				
General Government	67,629			67,629
Public Safety	34,715	40,989		75,704
Public Works	41,275	464,716		505,991
Health		6,601		6,601
Capital Outlay		71,490	45,473	116,963
	<u>143,619</u>	<u>583,796</u>	<u>45,473</u>	<u>772,888</u>
Total Receipts Over/(Under) Disbursements	<u>264,704</u>	<u>90,526</u>	<u>(45,473)</u>	<u>309,757</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		17,510	323,317	340,827
Transfers-Out	(323,317)	(17,510)		(340,827)
	<u>(323,317)</u>	<u>0</u>	<u>323,317</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(58,613)	90,526	277,844	309,757
Fund Cash Balances, January 1	484,391	1,002,919	121,128	1,608,438
Fund Cash Balances, December 31	<u>\$425,778</u>	<u>\$1,093,445</u>	<u>\$398,972</u>	<u>\$1,918,195</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

FAIRFIELD TOWNSHIP
COLUMBIANA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NONEXPENABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Nonexpendable Trust</u>
Fund Cash Balances, January 1	<u>5,572</u>
Fund Cash Balances, December 31	<u><u>\$5,572</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>

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

**FAIRFIELD TOWNSHIP
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Fairfield Township, Columbiana County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the City of Columbiana and the Villages of New Waterford and Leetonia volunteer fire departments to provide fire services and medical emergency services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Township values certificate of deposits at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

**FAIRFIELD TOWNSHIP
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Fire District Fund - This fund receives property tax money for fire protection for the Township.

Road District Fund – This fund receives property tax money for the construction, reconstruction, maintaining, and repairing of Township roads and bridges.

3. Capital Project Funds

These funds are used to account for resources restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

Miscellaneous Capital Projects Fund – This fund receives transfers from the general fund annually to pay for various capital improvement.

4. Fiduciary Funds (Trust Funds)

These funds account for resources restricted by a legally binding trust agreement. The Township had the following significant fiduciary funds:

Cemetery Bequest Funds - These funds receive bequests to maintain the cemeteries located within the Township.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

**FAIRFIELD TOWNSHIP
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2005	2004
Demand deposits	\$1,585,523	\$1,773,768
Certificates of deposit	350,000	150,000
Total deposits	1,935,523	1,923,768

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$301,310	\$326,637	\$25,327
Special Revenue	646,164	721,657	75,493
Capital Projects	0	80,590	80,590
Fiduciary	0	0	0
Total	\$947,474	\$1,128,884	\$181,410

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$293,889	\$231,946	\$61,943
Special Revenue	816,274	663,822	152,452
Capital Projects	272,083	248,024	24,059
Fiduciary	0	0	0
Total	\$1,382,246	\$1,143,792	\$238,454

**FAIRFIELD TOWNSHIP
COLUMBIANA COUNTY**

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

3. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$397,484	\$408,323	\$10,839
Special Revenue	672,983	691,832	18,849
Capital Projects	323,317	323,317	0
Fiduciary	0	0	0
Total	\$1,393,784	\$1,423,472	\$29,688

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$549,023	\$466,936	\$82,087
Special Revenue	897,530	601,306	296,224
Capital Projects	221,857	45,473	176,384
Fiduciary	0	0	0
Total	\$1,668,410	\$1,113,715	\$554,695

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**FAIRFIELD TOWNSHIP
COLUMBIANA COUNTY**

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

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

7. CONTINGENT LIABILITIES

The Township is one of several Townships named in the Board of Tax Appeal Case. The case deals with the alternate formula for distribution of local government tax monies. Although the outcome of this case is not presently determinable, counsel believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

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Auditor of State Betty Montgomery

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

Fairfield Township
Columbiana County
3201 State Route 164
Leetonia, Ohio 44431

To the Board of Trustees:

We have audited the financial statements of Fairfield Township, Columbiana County (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 29, 2006 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 29, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated August 29, 2006, we reported other matters related to noncompliance we deemed immaterial.

Fairfield Township
Columbiana County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

August 29, 2006



**Auditor of State
Betty Montgomery**

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FAIRFIELD TOWNSHIP

COLUMBIANA 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 12, 2006**