



Dave Yost • Auditor of State



**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Fairfield Township  
Tuscarawas County  
5311 Johnstown Road, NE  
Mineral City, Ohio 44656

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Fairfield Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Fairfield Township, Tuscarawas County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Township Capital Equipment Fund was improperly classified as a Special Revenue Fund rather than as a Capital Projects Fund. The fund balance at January 1, 2014 has been restated accordingly.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 18, 2016

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**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$40,878	\$99,022	\$5,000	\$144,900
Charges for Services	0	4,000	0	4,000
Intergovernmental	34,457	106,647	0	141,104
Special Assessments	0	949	0	949
Earnings on Investments	323	43	49	415
Miscellaneous	138	9,145	0	9,283
<i>Total Cash Receipts</i>	<u>75,796</u>	<u>219,806</u>	<u>5,049</u>	<u>300,651</u>
<b>Cash Disbursements</b>				
Current:				
General Government	67,594	0	0	67,594
Public Safety	0	32,555	0	32,555
Public Works	1,505	122,922	0	124,427
Health	2,933	0	0	2,933
<i>Total Cash Disbursements</i>	<u>72,032</u>	<u>155,477</u>	<u>0</u>	<u>227,509</u>
<i>Excess of Receipts Over Disbursements</i>	<u>3,764</u>	<u>64,329</u>	<u>5,049</u>	<u>73,142</u>
<i>Fund Cash Balances, January 1</i>	<u>23,994</u>	<u>211,160</u>	<u>36,827</u>	<u>271,981</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	275,489	0	275,489
Assigned	27,758	0	41,876	69,634
<i>Fund Cash Balances, December 31</i>	<u>\$27,758</u>	<u>\$275,489</u>	<u>\$41,876</u>	<u>\$345,123</u>

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

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$40,278	\$97,149	\$5,000	\$142,427
Charges for Services	0	4,000	0	4,000
Intergovernmental	23,824	105,466	0	129,290
Special Assessments	0	900	0	900
Earnings on Investments	265	52	45	362
Miscellaneous	140	11,854	0	11,994
<i>Total Cash Receipts</i>	<u>64,507</u>	<u>219,421</u>	<u>5,045</u>	<u>288,973</u>
<b>Cash Disbursements</b>				
Current:				
General Government	74,723	0	0	74,723
Public Safety	0	36,917	0	36,917
Public Works	14,877	141,297	0	156,174
Health	2,857	0	0	2,857
Capital Outlay	0	0	8,000	8,000
<i>Total Cash Disbursements</i>	<u>92,457</u>	<u>178,214</u>	<u>8,000</u>	<u>278,671</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(27,950)</u>	<u>41,207</u>	<u>(2,955)</u>	<u>10,302</u>
<i>Fund Cash Balances, January 1 (Restated, See Note 2)</i>	<u>51,944</u>	<u>169,953</u>	<u>39,782</u>	<u>261,679</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	211,160	0	211,160
Assigned	23,994	0	36,827	60,821
<i>Fund Cash Balances, December 31</i>	<u>\$23,994</u>	<u>\$211,160</u>	<u>\$36,827</u>	<u>\$271,981</u>

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

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Fairfield Township, Tuscarawas 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, cemetery maintenance, fire protection and emergency medical services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Ohio Township Risk Management Authority (OTARMA)

The Township belongs to OTARMA, a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**C. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

Fire and Ambulance Fund – This fund receives property tax money for the purpose of providing and maintaining fire apparatus and emergency ambulance and medical services.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Capital Equipment Fund - The Township maintains this fund to be used for the purchase of equipment for the Township.

**D. 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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**E. Fund Balance**

Fund balance is divided into two classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**2. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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.

**2. RESTATEMENT OF FUND BALANCE**

The Township maintains a Capital Equipment Fund, which has received unrestricted monies for the purpose of purchasing equipment. This revenue and related disbursements should be reported within a Capital Projects Fund. However, the Capital Equipment Fund's activity was previously reported in a Special Revenue Fund. The beginning balances of the Capital Projects Fund and Special Revenue Fund were restated at January 1, 2014 as shown below:

	Capital Projects Fund's Balance	Special Revenue Funds' Balance
January 1, 2014 fund balances as reported:	\$0	\$209,735
Adjustment: proper classification	39,782	(39,782)
Restated January 1, 2014 fund balance	\$39,782	\$169,953

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. EQUITY IN POOLED DEPOSITS**

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

	2015	2014
Demand deposits	\$345,123	\$271,981

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

**2015 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,222	\$75,796	\$3,574
Special Revenue	215,150	219,806	4,656
Capital Projects	5,030	5,049	19
Total	\$292,402	\$300,651	\$8,249

**2015 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,216	\$72,032	\$24,184
Special Revenue	426,310	155,477	270,833
Capital Projects	41,857	0	41,857
Total	\$564,383	\$227,509	\$336,874

**2014 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,615	\$64,507	(\$5,108)
Special Revenue	214,280	219,421	5,141
Capital Projects	5,030	5,045	15
Total	\$288,925	\$288,973	\$48

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$121,559	\$92,457	\$29,102
Special Revenue	384,235	178,214	206,021
Capital Projects	44,812	8,000	36,812
Total	\$550,606	\$278,671	\$271,935

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**5. PROPERTY TAX**

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

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

**6. RETIREMENT SYSTEMS**

**A. Ohio Public Employees Retirement System**

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. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**B. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by Ohio Public Employees Retirement System have had an option to choose Social Security. As of December 31, 2015, all of the Village employees, not covered by Ohio Public Employees Retirement System, have elected Social Security.

**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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$12,077	\$11,498

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool.

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Fairfield Township  
Tuscarawas County  
5311 Johnstown Road, NE  
Mineral City, Ohio 44656

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Fairfield Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. In addition, the Township's Special Revenue and Capital Projects Fund cash fund balances at January 1, 2014 were restated to properly classify the Capital Equipment Fund as a Capital Projects Fund.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2015-001 to be a material weakness.

***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, opining 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*.

***Township's Response to Findings***

The Township's response to the Finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 18, 2016

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Material Weakness**

The Township should maintain an accounting system and accounting records sufficient to enable the Township to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements in accordance with generally accepted accounting principles.

As a result of audit procedures performed, errors were noted in the Township's financial statements and GAAP conversion that required audit adjustments and reclassifications as follows:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) was adopted several years ago and defined the reporting of fund balances in the financial statements.
  - Paragraph 16 of GASB Statement No 54 states that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. For each subsequent year, the Township General Fund appropriations exceeded estimated revenues by \$27,758 and \$23,994 for 2015 and 2014, respectively. Therefore, the Assigned Fund Balance was misclassified as Unassigned Fund Balance.
  - Paragraph 10 of GASB Statement No. 54 states, in part, that amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. As documentation did not support the restrictive requirements of the committed fund balance, the Capital Equipment Fund balance should have been classified as Assigned, instead of Committed. The amounts misclassified were \$41,876 and \$36,827 for 2015 and 2014, respectively.
- GASB Statement No. 54 also provides clarification of the definition of certain types of funds. Paragraph 30 states, in part, that special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Paragraph 33 states, in part, that capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The Township utilized the Capital Equipment Fund to set monies aside for the purchase of equipment. However, the Township misclassified the fund as a Special Revenue Fund instead of a Capital Projects Fund. For 2015, \$5,049 in Revenues, \$36,827 of Opening Equity, and \$41,876 in Closing Equity were misclassified as Special Revenue Fund activity and balances. For 2014, \$5,045 in Revenues, \$8,000 in Disbursements, \$39,782 of Opening Equity, and \$36,827 in Closing Equity were misclassified as Special Revenue Fund activity and balances.

Failure to properly report financial activity could result in material misstatements occurring and remaining undetected and fail to provide management with an accurate picture of the Township's financial position and operations.

These reclassifications and adjustment have been made to the Township's financial statements, and the adjustment was posted to the Township's books.

**FAIRFIELD TOWNSHIP  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-001 (Continued)**

**Material Weakness (Continued)**

The Township should review Auditor of State Bulletin 2011-004 Governmental Accounting Standard Board Statement No. 54 - Fund balance Reporting and Governmental Fund Type Definitions, for additional guidance. The Township should take the necessary steps to ensure that all revenues, disbursements, and fund balances of the Township are properly presented and disclosed in the Township's financial statements.

**Official's Response:** I do not believe that there is a material weakness just because the year end balances in the General Fund was "misclassified" as unassigned instead of assigned and the Capital Equipment Fund balance was "misclassified" as committed instead of assigned. The carryover balance has always been available for the following years appropriations, what else would it be for? Since GASB was adopted, now it has to be "classified" a certain way or it is not available for the next years appropriations?? If that is such a big deal, the UAN system should not allow you to use that money for your appropriations until it is classified correctly. I thought that marking it unassigned meant that it was for no specific item, what the General Fund is generally for. Also, kind of a narrow line between assigned and committed, both seem to mean the same thing, unless of course you go and read the GASB statement. Seems they are just trying and succeeding in making things more difficult. GASB should be thrown out and we should return to the way it used to be done where we can understand what is going on and don't need a degree to do so.

The Capital Equipment Fund, I do understand that it should be a capital projects fund, but when you put it in there, there are so many stipulations. (The Capital Equipment Fund was set up in the UAN system this way when I converted it, around 1996-97 and has been this way ever since. I apparently didn't use the correct code number when I set it up 20 years ago.) This fund was set up by the trustees and approved by the County Auditor and the Budget Commission about 30 years ago. The trustees were told that they could save money in this fund to purchase township equipment, They could take \$5000.00 a year, no more, from the General Fund Property tax settlement and put it in here for future purchases, no specific item, no time frame, no specific money amount. The trustees would also put inheritance settlements into this fund to help purchase trucks, tractors, mowers, backhoe, dura patcher. We have some nice equipment and haven't had to borrow money to purchase it, saving our taxpayers money, being good stewards of their tax dollars, which is what we are ultimately supposed to be doing. Now, we have to put it into this Capital Projects Fund with so many restrictions that we can't possibly leave it there, it will have to be returned to the General Fund. This just makes us all disgusted! This was NOT a weakness, this was a strength that the State of Ohio has ripped out from under us!!

These items in no way fail to provide an accurate picture of our financial position or operations, the money is there, the wording and specific account numbers are off.



# Dave Yost • Auditor of State

**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  
JULY 28, 2016**