



**Auditor of State
Betty Montgomery**

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

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**Auditor of State
Betty Montgomery**

Deerfield Township
Portage County
P.O. Box 186
Deerfield, Ohio 44411-0186

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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 6, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Deerfield Township
Portage County
P.O. Box 186
Deerfield, Ohio 44411-0186

To the Board of Trustees:

We have audited the accompanying financial statements of the Deerfield Township, Portage County (the Township) as of and for the years ended December 31, 2004 and 2003. 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 Government 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 year ended December 31, 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, 2004, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Deerfield Township, Portage County, as of December 31, 2004 and 2003, 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 year ended December 31, 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 May 6, 2005, 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

May 6, 2005

**DEERFIELD TOWNSHIP
PORTAGE 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>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$25,493	\$129,294	\$15,658	\$0	\$170,445
Intergovernmental	100,246	90,644		45,716	236,606
Charges for Services		39,321			39,321
Licenses, Permits, and Fees	8,088	7,297			15,385
Earnings on Investments	1,264	576			1,840
Miscellaneous	15,609	5,106			20,715
Total Cash Receipts	<u>150,700</u>	<u>272,238</u>	<u>15,658</u>	<u>45,716</u>	<u>484,312</u>
Cash Disbursements:					
Current:	131,996	90,633			222,629
Public Works	1,700	124,064		45,716	171,480
Health	727	16,793			17,520
Debt Service:					
Redemption of Principal			4,300		4,300
Interest and Fiscal Charges			11,357		11,357
Total Cash Disbursements	<u>134,423</u>	<u>231,490</u>	<u>15,657</u>	<u>45,716</u>	<u>427,286</u>
Total Receipts Over/(Under) Disbursements	<u>16,277</u>	<u>40,748</u>	<u>1</u>		<u>57,026</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	6,961				6,961
Total Other Financing Receipts/(Disbursements)	<u>6,961</u>				<u>6,961</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,238	40,748	1		63,987
Fund Cash Balances, January 1	177,847	456,314	3,066	22,962	660,189
Fund Cash Balances, December 31	<u><u>\$201,085</u></u>	<u><u>\$497,062</u></u>	<u><u>\$3,067</u></u>	<u><u>\$22,962</u></u>	<u><u>\$724,176</u></u>

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

DEERFIELD TOWNSHIP
PORTAGE COUNTY

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

	<u>Non expendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$19
Fund Cash Balances, January 1	<u>6,279</u>
Fund Cash Balances, December 31	<u><u>\$6,298</u></u>

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

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$20,036	\$118,961	\$15,652	\$0	\$154,649
Intergovernmental	100,768	120,069			220,837
Charges for Services		8,160			8,160
Licenses, Permits, and Fees	6,615	7,576			14,191
Earnings on Investments	1,869	851			2,720
Miscellaneous	15,854	7,029			22,883
Total Cash Receipts	<u>145,142</u>	<u>262,646</u>	<u>15,652</u>		<u>423,440</u>
Cash Disbursements:					
Current:					
General Government	124,177	94,907			219,084
Public Works	5,000	64,369			69,369
Health	1,407	17,365			18,772
Debt Service:					
Redemption of Principal			4,400		4,400
Interest and Fiscal Charges			11,536		11,536
Capital Outlay	1,651				1,651
Total Cash Disbursements	<u>132,235</u>	<u>176,641</u>	<u>15,936</u>		<u>324,812</u>
Total Receipts Over/(Under) Disbursements	<u>12,907</u>	<u>86,005</u>	<u>(284)</u>		<u>98,628</u>
Other Financing Receipts:					
Proceeds from Sale of Public Debt:					
Sale of Bonds				22,960	22,960
Total Other Financing Receipts/(Disbursements)				<u>22,960</u>	<u>22,960</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>12,907</u>	<u>86,005</u>	<u>(284)</u>	<u>22,960</u>	<u>121,588</u>
Fund Cash Balances, January 1	<u>164,940</u>	<u>370,309</u>	<u>3,350</u>	<u>2</u>	<u>538,601</u>
Fund Cash Balances, December 31	<u><u>\$177,847</u></u>	<u><u>\$456,314</u></u>	<u><u>\$3,066</u></u>	<u><u>\$22,962</u></u>	<u><u>\$660,189</u></u>

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

DEERFIELD TOWNSHIP
PORTAGE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Nonpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$25
Fund Cash Balances, January 1	<u>6,254</u>
Fund Cash Balances, December 31	<u><u>\$6,279</u></u>

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

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Deerfield Township, Portage 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 ambulance 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. 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 disbursements investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township holds no investments. They maintain an interest bearing checking account.

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.

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Fire District Fund - This fund receives property tax money for the general operation of the fire department.

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 Township roads.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had only one debt service fund for the construction of the Township Hall.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio to replace a culvert on Treasure Boulevard.

5. Fiduciary Funds (Trust Funds)

These funds account for resources restricted by legally binding trust agreements. The Township has a Cemetery Bequest Trust Fund. The interest from the trust may be used for cemetery maintenance.

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 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. Appropriations lapse at year end.

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 canceled, and re-appropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

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 Township maintained all cash in an interest bearing checking account. The carrying amount of cash and investments at December 31 was as follows:

	2004	2003
Total Deposits	\$730,474	\$666,468

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$157,806	\$157,661	(\$145)
Special Revenue	215,426	272,238	56,812
Debt Service	15,658	15,658	0
Capital Projects	0	45,716	45,716
Nonexpendable Trust	20	19	(1)
Total	<u>\$388,910</u>	<u>\$491,292</u>	<u>\$102,382</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$346,485	\$134,423	\$212,062
Special Revenue	617,995	231,490	386,505
Debt Service	18,724	15,657	3,067
Capital Projects	2	45,716	(45,714)
Nonexpendable Trust	49	0	49
Total	<u>\$983,255</u>	<u>\$427,286</u>	<u>\$555,969</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$106,818	\$145,142	\$38,324
Special Revenue	205,245	262,646	57,401
Debt Service	15,652	15,652	0
Capital Projects	0	22,960	22,960
Nonexpendable Trust	0	25	25
Total	<u>\$327,715</u>	<u>\$446,425</u>	<u>\$118,710</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$275,630	\$132,235	\$143,395
Special Revenue	514,809	176,641	338,168
Debt Service	19,002	15,936	3,066
Capital Projects	2	0	2
Nonexpendable Trust	0	0	0
Total	<u>\$809,443</u>	<u>\$324,812</u>	<u>\$484,631</u>

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects Fund by \$45,714 for the year ended December 31, 2004.

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. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$234,800	4.75%

The Township issued general obligation bonds in the amount of \$247,000 to finance the construction of the new town hall during 2001 and 2002. Monies are released by the bank using the percentage of completion method of contracts. During 2003 the final \$22,960 of the bond monies were received as a reimbursement of monies spent during calendar 2002. This debt is back by the full faith of the Township.

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

	General Obligation Bonds
Year ending December 31:	
2005	\$15,653
2006	15,539
2007	15,621
2008	15,688
2009	15,641
2010 - 2014	77,934
2015 - 2019	78,064
2020 - 2024	78,185
2025 - 2029	78,031
2030 - 2031	31,190
Total	\$421,546

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. 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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, 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, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

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 2003 and 2002 (the latest information available):

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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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***

Deerfield Township
Portage County
P.O. Box 186
Deerfield, Ohio 44411-0186

To the Board of Trustees:

We have audited the financial statements of the Deerfield Township (the Township) as of and for the years ended December 31, 2004 and 2003 and have issued our report thereon dated May 6, 2005, 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 also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. Government Auditing Standards considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items, 2004-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider reportable condition 2004-002 listed above 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 effect the determination of financial statements 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001.

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.



Betty Montgomery
Auditor of State

May 6, 2005

**DEERFIELD TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2004-001
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Noncompliance Citation

Ohio Revised Code section 5705.10 requires all revenue derived from a source other than general property tax and which the law prescribes to be used for a particular purpose, shall be paid into a special fund for such purpose. **Ohio Revised Code Section 5705.41 (B)** states, "No subdivision or taxing unit is to expend money unless it has been appropriated." **Ohio Revised Code Section 5705.36 (A)(5)** states, "The total appropriations made during a calendar year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation."

The Township was not in compliance with the aforementioned sections because the Issue II revenues were not recorded on the books of the Township for calendar year 2004. The monies were disbursed by the State of Ohio on behalf of the Township and should have been recorded as revenue and a disbursement of the Township during calendar year 2004.

Also the Township did not properly appropriate Issue II grant monies spent on its behalf by the state during calendar year 2004 and did not include the revenues in the certificate of estimated resources.

	Total Appropriation	Total Disbursement	Amount Exceeded
Calendar Year 2004			
Capital Projects Fund	\$2	\$45,716	\$(45,714)

Not properly recording Issue II revenues and disbursements could result in a loss of accountability over the Township's financial reporting.

We recommend the Township Clerk use Audit Bulletin 2002-004 as a guide on how to account for Issue II grant monies expended on its behalf. When a township participates in Issue II contracts it must establish a separate fund in the fund type of Capital Projects to account for the benefits received of having the State of Ohio disburse monies on its behalf. This includes any local matching amounts which may be applicable to the agreement.

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2004-002
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Material Weakness -Receipt Posting

We noted the following during calendar 2003:

- An adjustment - Sale of Bonds of \$22,960.33 posted to the General Fund when it should have been posted to the Capital Projects Fund.
- A reclassification - Intergovernmental sources of \$17,200.36 posted as miscellaneous revenues.
- A reclassification - Monies from ambulance billing of \$8,160.22 which is a charge for service posted as miscellaneous revenues.

We noted the following during calendar 2004:

- An adjustment - Monies spent on behalf of the township by the Ohio Public Works Commission equal to \$45,715.56 not posted at all during the period.
- A reclassification - Intergovernmental sources of \$2,124.83 posted as miscellaneous revenues.
- A reclassification - Monies from ambulance billing of \$39,321.03 which is a charge for service posted as miscellaneous revenues.

We recommend the Township Clerk refer to the Ohio Township Handbook for the proper coding for each source of revenue received and utilize the guidance from Audit Bulletin 2002-004 for guidance on proper accounting for Issue II Projects.

**DEERFIELD TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	ORC 5705. 41 (B) and ORC 5705.36 (A) (5)	Not Corrected	Repeat as Finding Number 2004-001
2002-002	ORC 5705.36 (A) (1) and 5705.36 (A) (3)	Corrected	



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DEERFIELD TOWNSHIP

PORTAGE 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
AUGUST 4, 2005**