



**Auditor of State
Betty Montgomery**

**DEERFIELD TOWNSHIP
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by Government Auditing Standards.....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings	23

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Deerfield Township
Warren County
3378 Townsley Drive
Deerfield Township, Ohio 45140-1045

To the Board of Trustees:

We have audited the accompanying financial statements of Deerfield Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. 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 obtain reasonable assurance about 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 discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note 10, in 2001 the Township reclassified certain funds.

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 the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2003, 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

December 3, 2003

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Local Taxes	\$1,211,522	\$5,622,222	\$0	\$0	\$0	\$6,833,744
Intergovernmental	694,782	1,610,404	0	0	0	2,305,186
Special Assessments	0	361,578	0	0	0	361,578
Charges for Services	0	154,856	0	0	0	154,856
Licenses, Permits, and Fees	86,367	0	0	0	0	86,367
Fines, Forfeitures, and Penalties	85,120	0	0	0	0	85,120
Earnings on Investments	144,810	34,409	9,205	46,217	583	235,224
Service Payments in Lieu of Taxes	0	2,636,374	0	0	0	2,636,374
Other Revenue	949,392	397,718	0	0	0	1,347,110
Total Cash Receipts	<u>3,171,993</u>	<u>10,817,561</u>	<u>9,205</u>	<u>46,217</u>	<u>583</u>	<u>14,045,559</u>
Cash Disbursements:						
Current:						
General Government	2,562,433	(715)	0	0	0	2,561,718
Payments to Schools	0	978,408	0	0	0	978,408
Public Safety	0	4,345,935	0	0	0	4,345,935
Public Works	57,787	926,469	0	0	0	984,256
Health	22,212	200,136	0	0	0	222,348
Conservation - Recreation	0	320,190	0	0	0	320,190
Miscellaneous	0	281	307	0	360	948
Debt Service:						
Redemption of Principal	0	0	7,280,615	0	0	7,280,615
Interest and Fiscal Charges	0	0	1,229,892	10,322	0	1,240,214
Capital Outlay	95,141	0	0	1,272,534	0	1,367,675
Total Cash Disbursements	<u>2,737,573</u>	<u>6,770,704</u>	<u>8,510,814</u>	<u>1,282,856</u>	<u>360</u>	<u>19,302,307</u>
Total Receipts Over/(Under) Disbursements	434,420	4,046,857	(8,501,609)	(1,236,639)	223	(5,256,748)
Other Financing Sources/(Uses):						
Sale of Land	3,842,561	0	0	0	0	3,842,561
Sale of Notes	0	0	5,925,499	2,435,000	0	8,360,499
Operating Transfers-In	0	364,133	2,591,869	143,992	0	3,099,994
Advances-In	518,000	518,000	0	0	0	1,036,000
Operating Transfers-Out	(639,820)	(2,437,763)	(22,411)	0	0	(3,099,994)
Advances-Out	(518,000)	(518,000)	0	0	0	(1,036,000)
Total Other Financing Sources/(Uses)	<u>3,202,741</u>	<u>(2,073,630)</u>	<u>8,494,957</u>	<u>2,578,992</u>	<u>0</u>	<u>12,203,060</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	<u>3,637,161</u>	<u>1,973,227</u>	<u>(6,652)</u>	<u>1,342,353</u>	<u>223</u>	<u>6,946,312</u>
Fund Cash Balances, January 1	2,290,122	4,415,232	722,331	4,549,414	28,049	12,005,148
Fund Cash Balances, December 31	<u>\$5,927,283</u>	<u>\$6,388,459</u>	<u>\$715,679</u>	<u>\$5,891,767</u>	<u>\$28,272</u>	<u>\$18,951,460</u>
Reserve for Encumbrances, December 31	<u>\$224,626</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$224,626</u>

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

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Local Taxes	\$1,147,545	\$4,693,381	\$0	\$0	\$0	\$5,840,926
Intergovernmental	871,480	369,088	0	123,853	0	1,364,421
Special Assessments	0	355,974	0	0	0	355,974
Charges for Services	0	99,044	0	0	0	99,044
Licenses, Permits, and Fees	84,643	73,628	0	0	0	158,271
Fines, Forfeitures, and Penalties	90,914	0	0	0	0	90,914
Earnings on Investments	203,866	34,675	29,854	188,577	987	457,959
Service Payments in Lieu of Taxes	0	2,010,772	0	0	0	2,010,772
Other Revenue	1,558,124	115,663	0	0	0	1,673,787
Total Cash Receipts	3,956,572	7,752,225	29,854	312,430	987	12,052,068
Cash Disbursements:						
Current:						
General Government	1,924,276	209,071	0	0	0	2,133,347
Payments to Schools	0	245,382	0	0	0	245,382
Public Safety	0	3,693,665	0	0	0	3,693,665
Public Works	31,559	435,966	0	0	0	467,525
Health	7,413	156,024	0	0	0	163,437
Conservation - Recreation	0	165,597	0	0	0	165,597
Miscellaneous	0	3,778	0	0	416	4,194
Debt Service:						
Redemption of Principal	0	0	21,765,546	6,957,481	0	28,723,027
Interest and Fiscal Charges	0	0	1,353,044	455,418	0	1,808,462
Contract Services	0	226,151	0	0	0	226,151
Capital Outlay	53,916	1,101,701	0	1,503,812	0	2,659,429
Total Cash Disbursements	2,017,164	6,237,335	23,118,590	8,916,711	416	40,290,216
Total Receipts Over/(Under) Disbursements	1,939,408	1,514,890	(23,088,736)	(8,604,281)	571	(28,238,148)
Other Financing Sources/(Uses):						
Sale of Notes	0	1,702,690	12,089,308	15,531,090	0	29,323,088
Operating Transfers-In	270,000	1,886,088	11,044,820	1,739,299	0	14,940,207
Advances-In	446,445	446,445	0	0	0	892,890
Operating Transfers-Out	(1,228,447)	(4,472,467)	(41,068)	(9,198,225)	0	(14,940,207)
Advances-Out	(446,445)	(446,445)	0	0	0	(892,890)
Other Sources/(Uses)	16,357	63,603	(14,575)	0	0	65,385
Total Other Financing Sources/(Uses)	(942,090)	(820,086)	23,078,485	8,072,164	0	29,388,473
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	997,318	694,804	(10,251)	(532,117)	571	1,150,325
Fund Cash Balances, January 1	1,292,804	3,720,428	732,582	5,081,531	27,478	10,854,823
Fund Cash Balances, December 31	\$2,290,122	\$4,415,232	\$722,331	\$4,549,414	\$28,049	\$12,005,148
Reserve for Encumbrances, December 31	\$308,596	\$344,222	\$0	\$441,986	\$0	\$1,094,804

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

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Deerfield Township, Warren County, Ohio (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 of Trustees. The Township provides road maintenance, fire protection and emergency medical services, and parks and recreational facilities. The Township contracts with the Warren County Sheriff for the provision of police protection and patrol services.

The Township's management believes that 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 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit, money market funds, and nonparticipating investment contracts such as repurchase agreements and U.S. savings bonds, are valued at cost.

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

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for the proceeds of 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:

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge – This fund receives tax monies for the construction, maintenance, and repair of Township roads and bridges.

Police District – This fund receives tax monies to pay the costs of police protection and patrol services.

Fire Fund Special Levy – This fund receives fire levy monies to be used for the purchase and maintenance of fire equipment and ambulances, and for the payment of salaries for firefighters and paramedics.

Park Fund – This fund receives park levy monies which are used for the purchase and maintenance of Township park facilities.

Tax Increment Financing (TIF) Special Revenue Fund – This fund was created to report certain TIF financing activities which the Township has determined are appropriate for the special revenue fund type. The Township allocates certain designated tax receipts (service payments in lieu of taxes) and TIF note proceeds to this fund, to be used for payments to schools which are required by the trust agreement.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Funds:

General Note Retirement Fund - This fund receives monies from the General Fund to be used for the payment of general obligation debt.

Tax Increment Financing (TIF) Debt Service Fund – This fund was created to report certain TIF financing activities which the Township has determined are appropriate for the debt service fund type. The Township allocates TIF note proceeds to this fund, to be used for the payment of interest and principal on TIF notes.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Funds:

Capital Projects Fund – This fund receives monies for various capital projects that benefit the Township.

Tax Increment Financing (TIF) Capital Projects Fund – This fund was created to report certain TIF financing activities which the Township has determined appropriate for the capital projects fund type. The Township allocates TIF note proceeds and intergovernmental revenues to this fund, to be used for the construction of TIF projects.

5. Fiduciary Funds (Expendable Trust)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agent capacity. The Township had the following significant Fiduciary Funds:

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trust Funds are used to account for resources that are restricted by legally binding trust agreements. Because the trust agreements do not require that the Township maintain the corpus of the trusts, the funds are classified as expendable. The Township had the following significant Expendable Trust Fund:

Cemetery Bequests – This fund receives bequest monies for the maintenance of cemetery plots.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the legal level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve the appropriation measure and any 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 commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

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

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand Deposits	\$12,572,311	\$ 5,560,764
Money Market Demand Deposits	<u>6,379,149</u>	<u>6,444,384</u>
	<u>\$18,951,460</u>	<u>\$12,005,148</u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 is presented below.

2002 Budgeted vs. Actual Receipts

	<u>Budgeted</u>	<u>Actual</u>	
Fund Type	Receipts	Receipts	Variance
General	\$6,994,790	\$7,014,554	\$19,764
Special Revenue	7,428,579	11,181,694	3,753,115
Debt Service	7,690,353	8,526,573	836,220
Capital Projects	4,050,000	2,625,209	(1,424,791)
Expendable Trust	420	583	163
Total	<u>\$26,164,142</u>	<u>\$29,348,613</u>	<u>\$3,184,471</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

	<u>Authority</u>	<u>Expenditures</u>	
Fund Type	Authority	Expenditures	Variance
General	\$4,622,488	\$3,377,393	\$1,245,095
Special Revenue	8,801,416	9,208,467	(407,051)
Debt Service	6,907,999	8,533,225	(1,625,226)
Capital Projects	7,668,873	1,282,856	6,386,017
Expendable Trust	28,466	360	28,106
Total	<u>\$28,029,242</u>	<u>\$22,402,301</u>	<u>\$5,626,941</u>

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,146,925	\$4,242,929	\$96,004
Special Revenue	5,685,170	11,404,605	5,719,435
Debt Service	6,656,342	23,163,983	16,507,641
Capital Projects	4,659,786	17,582,819	12,923,033
Expendable Trust	790	984	194
Total	<u>\$21,149,013</u>	<u>\$56,395,320</u>	<u>\$35,246,307</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,677,932	\$3,245,611	\$432,321
Special Revenue	7,959,029	10,709,801	(2,750,772)
Debt Service	6,631,647	23,174,234	(16,542,587)
Capital Projects	9,454,309	18,114,936	(8,660,627)
Expendable Trust	28,268	416	27,852
Total	<u>\$27,751,185</u>	<u>\$55,244,998</u>	<u>(\$27,493,813)</u>

4. PROPERTY TAX

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

Real property taxes become a lien on each January 1 preceding the October 1 date for which rates are adopted by the 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, the first half is due December 31. The second half payment is due the following June 20.

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

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.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

Description	Principal Outstanding	Interest Rate
Long-term Tax Increment Financing Obligations:		
Tax Increment Revenue Notes, Series 2001B	12,810,000	Average 4.73%
Tax Increment Revenue Notes, Series 1998	8,705,000	Average 4.96%
Total Long-Term Tax Increment Financing Obligations	\$21,515,000	
Short-term General Obligation Tax Anticipation Notes (issued January 30, 2002 and maturing January 29, 2003):		
Park Land Acquisition	500,000	2.20%
Total Short-term General Obligation Tax Anticipation Notes	\$500,000	
Short-term General Obligation Various Purpose Bond Anticipation Notes, Series 2002 (issued May 15, 2002 and maturing May 14, 2003):		
Series 2001, First (2002) Renewal		
Park Land Acquisition	360,000	2.60%
Sewer Improvement	411,000	2.60%
Public Utility	218,500	2.60%
Park Land	285,000	2.60%
Road Improvement	63,000	2.60%
Building Acquisition	700,800	2.60%
Total Series 2001, First (2002) Renewal	\$2,038,300	
Series 2000B, Second (2002) Renewal -		
Park Land Acquisition	280,000	2.60%
Total Series 2000B, Second (2002) Renewal	\$280,000	
Series 1999, Third (2002) Renewal -		
Fire Truck Acquisition	183,461	2.60%
Total Series 1999, Third (2002) Renewal	\$183,461	

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

Series 2002 -		
Public Utility	185,000	2.60%
Total Series 2002	\$185,000	
Total Short-term General Obligation Various Purpose Bond Anticipation Notes, Series 2002 (issued May 15, 2002 and maturing May 14, 2003)	\$2,686,761	
Short-term General Obligation Various Purpose Bond Anticipation Notes, Series 2002 (issued December 5, 2002 and maturing December 4, 2003):		
Public Utility	1,390,000	2.00%
Public Utility	258,000	2.00%
Fire Equipment	625,000	2.00%
Park Land Acquisition	2,250,000	2.00%
Total Short-term General Obligation Various Purpose Bond Anticipation Notes, Series 2002 (issued December 5, 2002 and maturing December 4, 2003)	\$4,523,000	
Short-term Taxable Building Acquisition Notes, Series 2002 (issued May 15, 2002 and maturing May 14, 2003):		
Building Acquisition	643,200	3.60%
Total Short-term Taxable Building Acquisition Notes, Series 2002 (issued May 15, 2002 and maturing May 14, 2003)	\$643,200	
Total Short-term Obligations	\$8,352,961	
Total Long-Term and Short-Term Obligations outstanding December 31, 2002	\$29,867,961	

Long-term Obligations:

Series 2001

In 2001, the Township issued two series of Tax Increment Revenue Notes with a total face amount of \$21,450,000. The first series of notes (Series 2001A) with a face amount of \$7,500,000 were issued in April of 2001 and the second series (Series 2001B) with a face amount of \$13,950,000 were issued in September of 2001. A portion of the proceeds of the Series 2001B Notes were used to retire the Series 2001A Notes with a face amount of \$7,500,000 which had been issued in April of 2001.

The Series 2001 B Notes were issued as provided for by Ohio Revised Code Sections 5709.73 through 5609.75, and pursuant to a resolution adopted by the Board of Trustees on August 24, 2001, and pursuant to a Trust Agreement dated August 1, 1998, and a related Supplemental Trust Agreement dated September 1, 2001.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

The Series 2001B Notes were issued for the following purposes: (1) refinancing of the Series 2001A notes previously described above; (2) advance refunding of a \$1,227,000 Park Improvement note; and (3) planning, design, and construction of public street improvements and utilities.

The Series 2001B Notes are unvoted limited obligations of the Township. The Series 2001B Notes are expected to be paid from Service Payments in Lieu of Taxes which are payable to the Township by certain owners of real commercial and industrial property which property has been exempted from real property taxation. As limited obligations of the Township, the Series 2001B notes are primarily secured by a pledge of revenues from Service Payments in Lieu of Taxes. The Township has covenanted to make up any shortfall in the Service Payments in Lieu of Taxes by: (1) exempting additional properties within the Deerfield Tax Increment Area; and/or (2) through the use of available amounts in the General Fund of the Township, subject to annual appropriation by the Board of Trustees. The Series 2001B Notes have a final maturity of December 1, 2025.

As required by the Trust Agreement, proceeds from the issuance (less related issuance costs of \$449,409, and including accrued interest of \$27,145) were deposited into several Trust Accounts maintained by the trust administrator, Fifth Third Bank (Cincinnati, Ohio). The Township has reported the activity of the trust accounts in the Special Revenue, Debt Service, and Capital Project Fund types.

Series 1998 Notes

In August of 1998, the Township issued Tax Increment Revenue Notes ("the Series 1998 Notes") in the face amount of \$9,485,000. The Series 1998 Notes were issued as provided for by Ohio Revised Code Sections 5709.73 through 5609.75, and pursuant to a resolution adopted by the Board of Trustees on May 6, 1998, and pursuant to a related Trust Agreement dated August 1, 1998.

The Series 1998 Notes were issued for the following purposes: (1) retiring outstanding bond anticipation notes issued in August of 1997 for street improvements; and (2) the planning, design, and construction of public street improvements and utilities.

Similar to the Series 2001B notes previously described, the Series 1998 Notes are unvoted limited obligations of the Township which are secured by a pledge of revenues from Service Payments in Lieu of Taxes. The Township has covenanted to make up any shortfall in the same manner as previously described for the Series 2001B. The Series 1998 Notes have a final maturity of December 1, 2023.

As required by the Trust Agreement, proceeds from the issuance (less related issuance costs of \$448,054) were deposited into several Trust Accounts maintained by the trust administrator, Fifth Third Bank (Cincinnati, Ohio). The Township has reported the activity of the trust accounts in the Special Revenue, Debt Service, and Capital Project Fund types.

Short-term General Obligation Notes:

With one exception, all of the short-term notes are general obligation notes of the Township which are secured by the Township's taxing authority and are due annually. The \$643,200 short-term taxable Building Acquisition Note is intended to be paid from rental receipts derived from the property.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS

The Township's certified firefighters belong to the Ohio Police and Fire Disability and Pension Funds (OPFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OPFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code.

For 2002 and 2001, OPFDPF contributions for participating employees were 10% of their wages. The Township contributed this amount on behalf of the employees. The Township also contributed an amount equal to 24% of their wages. For 2002 and 2001, PERS members contributed an amount equal to 8.5% of their wages. The Township contributed an average amount equal to 13.55% of participants' gross salaries. The Township has paid all required contributions through December 31, 2002.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions, public officials' liability, and management liability.

The Township also provides health, dental, and vision to full-time employees through a private insurance carrier.

8. TAX INCREMENT FINANCING

As more fully described above in Note 5, since 1998 and during 2002 and 2001, the Township issued Tax Increment Financing Revenue Notes ("TIF Notes") to finance numerous public improvement projects ("TIF Projects"). Pursuant to the terms of the Official Statements, the proceeds of the notes were deposited into several bank trust accounts and are to be used to pay all costs of the improvement projects, including retirement of the notes and capital outlay. In addition, the Official Statements require the Township to refund a portion of the TIF monies it receives as "Service Payments In Lieu of Taxes" to two local School Districts affected by the TIF projects. The two School Districts are the Kings Local School District and the Mason City School District. The amount of refunds that are paid to each District is based on the assessed value of the TIF property being developed in each district, and each School District is responsible for billing the Township for these refunds.

The Township maintains various trust accounts for their TIF projects. Related trust agreements require periodic transfers between accounts which are reported within operating transfers-in and operating transfers-out on the financial statements.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

9. SUBSEQUENT EVENTS

On January 29, 2003, the Township issued \$250,000 of Park Land Tax Anticipation Notes, Fourth (2003) Renewal. This issuance was a partial renewal of \$500,000 of Park Land Acquisition Notes which were issued February 1, 2002 and matured January 30, 2003.

On May 6, 2003, the Township authorized the issuance of \$3,600,000 of Ohio Variable Rate Subordinate Tax Increment Revenue Notes, Series 2003A, for the purpose of undertaking additional public improvement projects. The notes are subordinate to all Series 1998 and Series 2001 Long-term Tax Increment Financing Obligations previously issued and described in Note 5.

On May 13, 2003, the Township issued \$2,470,750 of Various Purpose Bond Anticipation Notes, Series 2002, Second (2003) Renewal. This issuance was a renewal of various Park Land, Public Utility, Building Acquisition, and Road Improvement

On May 14, 2003, the Township issued \$464,000 of Township Building Bond Anticipation Notes, Series 2001, Second (2003) Renewal, which was a partial renewal of \$643,200 of Township Building Acquisition Notes which were issued May 15, 2002 and matured May 14, 2003.

On May 14, 2003, the Township issued new Fire Truck Bond Anticipation Notes in the amount of \$467,083.

On May 14, 2003, the Township issued \$2,937,833 of Various Purpose Bond Anticipation Notes, Series 2003. This issuance was a consolidation of the \$2,470,750 Various Purpose Bond Anticipation Notes issued May 13, 2003, and the new \$467,083 Fire Truck Bond Anticipation Note issued on May 14, 2003.

10. RESTATEMENT OF BEGINNING FUND BALANCES

Beginning fund balances at January 1, 2001 have been restated due to: (1) the reclassification of lighting funds from the Capital Projects Fund type to the Special Revenue Fund type and (2) the reclassification of TIF cash balances among the Special Revenue, Debt Service, and Capital Projects fund type.

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total
Cash as reported at 12/31/00	\$1,292,804	\$2,462,189	\$1,060,095	\$6,012,257	\$27,478	\$10,854,823
Lighting Funds Reclassified	0	280,245	0	(280,245)	0	0
Net change from the reclassification of TIF balances	0	977,994	(327,513)	(650,481)	0	0
Cash as restated at 1/1/00	\$1,292,804	\$3,720,428	\$732,582	\$5,081,531	\$27,478	\$10,854,823



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Deerfield Township
Warren County
3378 Townsley Drive
Deerfield Township, Ohio 45140-1045

To the Board of Trustees:

We have audited the accompanying financial statements of Deerfield Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated December 3, 2003, wherein we noted that the Township reclassified certain funds during 2001. 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

As 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*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated December 3, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-001 and 2002-002.

A material weakness is a 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 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. 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. However, of the reportable conditions described above, we consider items 2002-001 and 2002-002 to be material weaknesses. We also noted other 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 December 3, 2003.

This report is intended solely for the information and use of the finance committee, management, and the Board of Trustees, and is not intended to be and should not be used by 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

December 3, 2003

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND DECEMBER 31, 2001**

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

FINDING NUMBER 2002- 001

Material Weakness – Accounting and Reporting for Tax Increment Financing Activities (and effects on Cash Reconciliations and Budgetary Cycle)

Monitoring controls to help ensure that the Township's Tax Increment Financing (TIF) activities are regularly tracked and documented, budgeted in compliance with Ohio budgetary law, and reported in the Annual Financial Report were not operating effectively.

Beginning in 1998, the Township issued a series of Tax Increment Financing (TIF) Revenue Notes to finance certain public improvement projects. Pursuant to the terms of a Trust Agreement, the proceeds of the notes were deposited into several bank trust accounts to be used to pay the costs of the improvement projects. The notes are to be retired from Service Payments In Lieu of Taxes which are paid by the owners of commercial or real industrial property located within the tax increment financing area, where the owners have been exempted from real property taxation. The Township Trustees issue the TIF revenue notes, authorize payments to be made from the trust accounts, and make certain limited covenants regarding repayment of the notes.

The Township Clerk maintained a worksheet for both 2001 and 2002, to track the activities of the TIF project trust accounts. However, the worksheets were not complete and were not properly reconciled and compared with the bank statements' activity. Also, the yearly summary totals for TIF cash balances, receipts, disbursements, and transfers were not reported in the Annual Financial Reports. The Township did establish separate TIF funds within the special revenue, debt service, and capital projects fund type. However the activity of those funds was not properly accounted for and not properly budgeted for purposes of compliance with Ohio budgetary law.

Because TIF activities were not properly accounted for and reported, and due to a significant number of monthly transfers between the general treasury operating account and the TIF project trust accounts, the Township's monthly cash reconciliations contained a significant number of incorrect reconciling items of material dollar amounts dating from 1998 through 2002. The incorrect reconciling items were identified and corrected through audit adjustments.

The tables below summarize the audit adjustments which were required for 2002 and 2001 in order to add the TIF activity to the Annual Reports:

**FINDING NUMBER 2002- 001
(Continued)**

Year 2001:

Account Classification	Special Revenue	Debt Service	Capital Projects	Total
Amounts Added to Beginning Cash Balance(s):	\$1,115,341	\$730,884	\$3,906,528	\$5,752,753
Amounts Added to Cash Receipts:				
Service Payments in Lieu of Taxes	2,010,772	0	0	2,010,772
Intergovernmental Revenues	0	0	123,853	123,853
Interest Revenues	33,444	29,854	188,576	251,874
Total Amounts Added to Cash Receipts	2,044,216	29,854	312,429	2,386,499
Amounts Added to Cash Disbursements:				
Capital Outlay	0	0	5,939,473	5,939,473
Payments to Schools	245,382	0	0	245,382
Administrative and Other Fees	1,597	4,255	455,418	461,270
Debt Principal Payments	0	15,392,000	0	15,392,000
Debt Interest Payments	0	1,037,642	0	1,037,642
Total Amounts Added to Cash Disbursements	246,979	16,433,897	6,394,891	23,075,767
Amounts Added to Other Financing Sources/(Uses):				
Sale of Notes	952,690	7,198,693	13,244,090	21,395,473
Operating Transfers –In	1,775,987	9,229,054	1,361,031	12,366,072
Operating Transfers-Out	(3,396,779)	(41,068)	(8,928,225)	(12,366,072)
Other	0	(14,574)	0	(14,574)
Total Amounts Added to Other Financing Sources/(Uses)	(668,102)	16,372,105	5,676,896	21,380,899
Change in Ending Cash Balance(s):	\$2,244,476	\$698,946	\$3,500,962	\$6,444,384

**FINDING NUMBER 2002- 001
(Continued)**

Year 2002:

Account Classification	Special Revenue	Debt Service	Capital Projects	Total
Amounts Added to Beginning Cash Balance(s):	\$2,244,476	\$698,946	\$3,500,962	\$6,444,384
Amounts Added to Cash Receipts:				
Service Payments in Lieu of Taxes	2,636,374	0	0	2,636,374
Intergovernmental Revenues	242,766	0	0	242,766
Interest Revenues	29,709	9,205	46,217	85,131
Total Amounts Added to Cash Receipts	2,908,849	9,205	46,217	2,964,271
Amounts Added to Cash Disbursements:				
Capital Outlay	0	0	437,684	437,684
Payments to Schools	978,408	0	0	978,408
Administrative and Other Fees	280	307	10,322	10,909
Debt Principal Payments	0	580,000	0	580,000
Debt Interest Payments	0	1,022,505	0	1,022,505
Total Amounts Added to Cash Disbursements	978,688	1,602,812	448,006	3,029,506
Amounts Added to Other Financing Sources/(Uses):				
Operating Transfers-In	274,133	1,601,831	93,991	1,969,955
Operating Transfers-Out	(1,947,546)	(22,409)	0	(1,969,955)
Total Other Financing Sources/(Uses)	(1,673,413)	1,579,422	93,991	0
Change in Ending Cash Balance(s):	\$2,501,224	\$684,761	\$3,193,164	\$6,379,149

The Township has established a Finance Committee to advise the Clerk on matters concerning proper accounting practices, the implementation of audit recommendations, investment policies and budgetary matters. In order to assure accountability, proper external financial reporting, and compliance with Ohio budgetary law, we recommend that the Finance Committee and Clerk establish procedures for maintaining the TIF records in a manner that facilitates budgeting, certification of appropriations prior to the time of incurring commitments, monthly monitoring of fund balances and the budget, and accurate financial reporting.

FINDING NUMBER 2002- 002

Material Weakness – Financial Reporting Cycle Monitoring Controls and 2002 Financial Reporting Software

In April of 2002, the Township converted its accounting system software to a governmental package produced by Software Solutions, Inc. From our review of the 2002 Annual Financial Report's "Combined Statement of Receipts, Disbursements, and Changes in Fund Balances – All Governmental and Fiduciary Fund Types" and from our review of the "Combining Statements of Receipts, Disbursements, and Changes in Fund Balances," which present financial data by individual fund and support the "Combined Statement", we noted the following:

1. For all fund types except the General Fund, the Beginning Fund Cash Balances on the Combined Statement were materially misstated and did not agree with the balances from the prior accounting system's 2001 report of cash balances and the 2001 Annual Financial Report.
2. For the Special Revenue Fund type, the amounts on the Combined Statement that were reported for the "Excess of Revenue Receipts and Other Sources over/under Expenditures and Other Uses" and the "Ending Fund Cash Balance" were not mathematically accurate and were clearly materially misstated based upon the amounts of receipts, disbursements, and other financing sources/uses that were reported for the Special Revenue Fund type in the Combined Statement. We did note that the system's detailed "Revenue Reports", "Revenue Audit Trail Reports", "Expense Reports", and "Expense Audit Trail Reports" which supported the individual line item receipts and disbursements on the Combining Statements were mathematically accurate, and it appeared that the mathematical errors on the Combined Statement were the result of errors in the program that produced the Combined Statement (not in the programs that produced the detailed reports).
3. For all fund types, the "Other Financing Sources/Uses" section of the Combined Statement did not summarize the yearly activity and instead presented all of the detailed transaction data from the detailed "Revenue Audit Trail Reports" and the detailed "Expense Audit Trail Reports" (for transfers, advances, proceeds of notes, adjustments to the accounts, and other transactions classified as other financing sources/uses). This appeared to result from errors in the program that produced the Combined Statement.
4. For the General Fund, financial data was reported in the Combined Statement and again within the Combining Statements. However, the two presentations were not consistent in terms of amounts and account classifications. This appeared to result from errors in the program that produced the Combined Statement.
5. For all fund types, the 2002 Combining Statements were not presented in a logical format that was easily readable for the user or reviewer. For all funds, receipts were presented on one page of the report and it was necessary to search the report to find the various pages where disbursements, total disbursements, the excess of revenue receipts and other sources over/under expenditures and other uses, and the ending cash fund balance were reported.
6. Based upon our discussion with a representative of the software company, for the year 2002 the Combined Statement was not directly produced by the system software in an "integrated" manner. Rather, the software generated numerous separate detailed reports of receipts, disbursements, and cash balances. The data and amounts from the separate reports were manually input into separate spreadsheets which then generated the Combining and Combined Statements. In the future, the software company plans to make the software fully integrated.

FINDING NUMBER 2002- 002
(Continued)

7. For all funds, we also noted that the detailed "Appropriation Expense Reports" did not present budgeted appropriations in a manner that facilitated the identification of prior year carryover appropriations versus current year appropriations. Also the system's "Expense Reports with Encumbrances" reports did not always accurately report unencumbered cash balances of certain budgeted line items.

We contacted a representative of the software company regarding the errors noted. Initially, the company representative was unable to explain the reasons for the errors noted. Follow-up communications made near the end of audit fieldwork indicated that the company had since become aware of program errors and inaccuracies, and other problems with the software programming. The financial statements were corrected through numerous audit adjustments.

We recommend that the Township contact the software company to address remedies for the problems encountered with the software and to obtain assurances that program errors and inaccuracies will be corrected so that future financial statements in the Annual Financial Reports will not be misstated. We also recommend that the Combined and Combining Statements in the Annual Financial Report be generated as automated reports of an integrated software system. We further recommend that the Township establish monitoring controls to assure that the financial statements in the Annual Financial Report presented for audit contain no amounts that are clearly misstated. Controls could include procedures for manual re-footing of portions of the report, and a review of the Annual Financial Report by the Finance Committee to assist in the identification of obvious errors and/or misstatements.

This page intentionally left blank.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-40483-001	Citation of Internal Revenue Code, Section 1.61 – 21, requiring that employer-provided vehicles be included as gross income on the W-2.	Partially Corrected	This is now reported in the management letter. The Township should contact the IRS to determine what action, if any, should be taken. We recommend that the Township consult page 16 of IRS Publication 15-B.
2000-40483-002	Payroll authorization forms were not properly approved and verified.	Corrected in 2002	Finding no longer valid.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

DEERFIELD TOWNSHIP

WARREN 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
FEBRUARY 3, 2004**