



**DEERFIELD TOWNSHIP
WARREN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DEERFIELD TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

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, 1999 and 1998. 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 generally accepted auditing standards 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.

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, 1999 and 1998, 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 August 24, 2000, 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.

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

August 24, 2000

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**DEERFIELD TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Local Taxes	\$1,087,666	\$3,946,493	\$0	\$0	\$0	\$5,034,159
Tax Increment Financing		373,284	564,666			937,950
Intergovernmental	987,317	509,296	93,685	0		1,590,298
Special Assessments	0			245,626		245,626
Charges for Services	2,226	48,324				50,550
Licenses, Permits, and Fees	131,446	65,291				196,737
Fines, Forfeitures, and Penalties	99,363					99,363
Earnings on Investments	129,275	2,569	31,676	137,729	975	302,224
Other Revenue	761,698	177,936				939,634
Total Cash Receipts	<u>3,198,991</u>	<u>5,123,193</u>	<u>690,027</u>	<u>383,355</u>	<u>975</u>	<u>9,396,541</u>
Cash Disbursements:						
Current:						
General Government	2,144,731	208,020	13,368			2,366,119
Public Safety		1,467,590		628		1,468,218
Public Works	21,770	687,144				708,914
Health	135,626	51,770				187,396
Human Services	61,475	1,521,364				1,582,839
Conservation - Recreation		1,750,000				1,750,000
Miscellaneous		15,263			425	15,688
Debt Service:						
Redemption of Principal	27,000		1,981,000	428,077		2,436,077
Interest and Fiscal Charges	4,949		534,229			539,178
Capital Outlay	2,073,081	261,099		3,492,348		5,826,528
Total Cash Disbursements	<u>4,468,632</u>	<u>5,962,250</u>	<u>2,528,597</u>	<u>3,921,053</u>	<u>425</u>	<u>16,880,957</u>
Total Receipts Over/(Under) Disbursements	<u>(1,269,641)</u>	<u>(839,057)</u>	<u>(1,838,570)</u>	<u>(3,537,698)</u>	<u>550</u>	<u>(7,484,416)</u>
Other Financing Receipts/(Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	1,958,666	2,250,000		366,923		4,575,589
Tax Increment Financing Payment to Schools		(244,866)				(244,866)
Transfers-In			2,050,284	61,154		2,111,438
Transfers-Out	(2,050,284)	(61,154)				(2,111,438)
Other Sources	960,430	54,699				1,015,129
Total Other Financing Receipts/(Disbursements)	<u>868,812</u>	<u>1,998,679</u>	<u>2,050,284</u>	<u>428,077</u>	<u>0</u>	<u>5,345,852</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(400,829)</u>	<u>1,159,622</u>	<u>211,714</u>	<u>(3,109,621)</u>	<u>550</u>	<u>(2,138,564)</u>
Fund Cash Balances, January 1	<u>1,620,475</u>	<u>1,161,334</u>	<u>148,598</u>	<u>5,229,276</u>	<u>26,204</u>	<u>8,185,887</u>
Fund Cash Balances, December 31	<u>\$1,219,646</u>	<u>\$2,320,956</u>	<u>\$360,312</u>	<u>\$2,119,655</u>	<u>\$26,754</u>	<u>\$6,047,323</u>
Reserve for Encumbrances, December 31	<u>\$337,953</u>	<u>\$721,770</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,059,723</u>
Reserve for Trust Accounts	<u>\$0</u>	<u>\$129,284</u>	<u>\$328,331</u>	<u>\$1,918,062</u>	<u>\$0</u>	<u>\$2,375,677</u>

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

**DEERFIELD TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Local Taxes	\$990,166	\$1,995,991	\$0	\$0	\$0	\$2,986,157
Tax Increment Financing		27,700	202,018			229,718
Intergovernmental	699,751	369,598				1,069,349
Special Assessments				184,681		184,681
Charges for Services	2,129					2,129
Licenses, Permits, and Fees	93,949	58,301				152,250
Fines, Forfeitures, and Penalties	77,497					77,497
Earnings on Investments	136,605	3,274	9,605	77,172	948	227,604
Other Revenue	192,054	893,025				1,085,079
Total Cash Receipts	<u>2,192,151</u>	<u>3,347,889</u>	<u>211,623</u>	<u>261,853</u>	<u>948</u>	<u>6,014,464</u>
Cash Disbursements:						
Current:						
General Government	2,051,458	90,621				2,142,079
Public Safety	1,375	1,043,857		580		1,045,812
Public Works	250,348	512,674				763,022
Health	104,235	105,904				210,139
Human Services	30,587	388,172				418,759
Miscellaneous		27,913			380	28,293
Debt Service:						
Redemption of Principal			1,422,000			1,422,000
Interest and Fiscal Charges			212,670	448,054		660,724
Capital Outlay	2,019,051	415,383		2,632,361		5,066,795
Total Cash Disbursements	<u>4,457,054</u>	<u>2,584,524</u>	<u>1,634,670</u>	<u>3,080,995</u>	<u>380</u>	<u>11,757,623</u>
Total Receipts Over/(Under) Disbursements	<u>(2,264,903)</u>	<u>763,365</u>	<u>(1,423,047)</u>	<u>(2,819,142)</u>	<u>568</u>	<u>(5,743,159)</u>
Other Financing Receipts/(Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Bonds			1,395,000	8,090,000		9,485,000
Sale of Notes	1,941,000					1,941,000
Tax Increment Financing Payment to Schools		(27,700)				(27,700)
Transfers-In			175,947			175,947
Advances-In	480,000	480,000				960,000
Transfers-Out	(33,847)			(142,100)		(175,947)
Advances-Out	(480,000)	(480,000)				(960,000)
Other Sources	25,641	49,272				74,913
Total Other Financing Receipts/(Disbursements)	<u>1,932,794</u>	<u>21,572</u>	<u>1,570,947</u>	<u>7,947,900</u>	<u>0</u>	<u>11,473,213</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(332,109)	784,937	147,900	5,128,758	568	5,730,054
Fund Cash Balances, January 1	1,952,584	376,397	698	100,518	25,636	2,455,833
Fund Cash Balances, December 31	<u>\$1,620,475</u>	<u>\$1,161,334</u>	<u>\$148,598</u>	<u>\$5,229,276</u>	<u>\$26,204</u>	<u>\$8,185,887</u>
Reserve for Encumbrances, December 31	\$99,789	\$494,791	\$0	\$0	\$0	\$594,580
Reserve for Trust Accounts	\$0	\$0	\$147,899	\$5,077,587	\$0	\$5,225,486

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

**DEERFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

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 general governmental services, including road maintenance, fire protection and emergency medical 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 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, nonparticipating investment contracts such as repurchase agreements, Savings bonds and U. S. Treasury notes 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 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:

Park Levy Fund - Receives Park Levy monies for the purchase of property to be used as a Township Park.

**DEERFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Fund - Receives Fire Levy monies to be used for the purchase and maintenance of fire apparatus and ambulances and the payment of salaries of firefighters and paramedics.

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Funds:

General Bond-Note Retirement Fund - is subsidized by the General fund for the retirement of debt.

Land Purchase Note Retirement Fund - is subsidized by the General Fund for the retirement of short term notes.

4. Capital Project 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 Fund:

Tax Increment Financing Fund - is used to account for the proceeds of the Tax Increment Revenue Notes and payment of road improvements and extension, construction of utilities facilities and the purchase of property necessary for development.

5. Fiduciary Funds (Expendable Trust)

Trust funds are used to account for resources restricted by legally binding trust agreements. The trust agreements do not require the Township to maintain the corpus of the trust, therefore the fund is classified as an expendable trust fund. The Township had the following Significant Expendable Trust Fund:

Cemetery Bequest Funds - These funds receive bequest funds for the maintenance of the cemetery plots.

E. Budgetary Process

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

1. Appropriations

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

**DEERFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 1999 and 1998 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. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

A. Unrestricted Cash and Investments

The Township maintains a pool of unrestricted cash and investments 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>1999</u>	<u>1998</u>
Demand deposits	(\$275,592)	(\$119,827)
Money Market Demand Deposits		559,589
Certificates of deposit	<u>1,224,133</u>	<u>1,663,510</u>
Total deposits	<u>948,541</u>	<u>2,103,272</u>
U. S. Treasury Notes	845,599	
U. S. Savings Bonds	15,200	15,200
Repurchase Agreement	<u>1,862,306</u>	<u>841,929</u>
Total investments	<u>2,723,105</u>	<u>857,129</u>
Total deposits and investments	<u>\$3,671,646</u>	<u>\$2,960,401</u>

**DEERFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. Demand deposits which show a negative balance at December 31, 1999 and 1998 are covered by the balance in repurchase agreements that are swept out of the demand deposit account overnight.

Investments: U. S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities. Investments in mutual funds and repurchase agreements are not evidenced by securities that exist in physical or book-entry form. The Savings Bonds are held by the Township.

B. Restricted Cash and Investments

The Tax Increment Revenue Notes trust agreement required the Township to establish a special revenue fund, debt service fund and a capital project fund to be maintained by a custodian bank. At December 31, 1999 and 1998 the custodian held \$2,375,677 and \$5,225,486, respectively, in a money market fund. These assets, and the related receipts and disbursements are reflected in the accompanying financial statements. These restricted accounts are shown as reserved on the accompanying financial statements.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,967,478	\$6,118,087	\$150,609
Special Revenue	7,287,323	7,427,892	140,569
Debt Service	690,027	2,740,311	2,050,284
Capital Projects	3,956,341	811,432	(3,144,909)
Fiduciary	968	975	7
Total	<u>\$17,902,137</u>	<u>\$17,098,697</u>	<u>(\$803,440)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,987,953	\$6,856,869	\$131,084
Special Revenue	8,081,723	6,990,040	1,091,683
Debt Service	509,597	2,528,597	(2,019,000)
Capital Projects	9,470,232	3,921,053	5,549,179
Fiduciary	25,171	425	24,746
Total	<u>\$25,074,676</u>	<u>\$20,296,984</u>	<u>\$4,777,692</u>

**DEERFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,418,600	\$4,158,792	\$740,192
Special Revenue	3,273,960	3,397,161	123,201
Debt Service	2,450,787	1,782,570	(668,217)
Capital Projects	7,288,345	8,351,853	1,063,508
Fiduciary	980	948	(32)
Total	<u>\$16,432,672</u>	<u>\$17,691,324</u>	<u>\$1,258,652</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,381,853	\$4,590,690	\$791,163
Special Revenue	3,657,776	3,107,015	550,761
Debt Service	1,600,823	1,634,670	(33,847)
Capital Projects	8,238,827	3,223,095	5,015,732
Fiduciary	24,616	380	24,236
Total	<u>\$18,903,895</u>	<u>\$12,555,850</u>	<u>\$6,348,045</u>

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The Debt Service Fund had expenditures that exceeded appropriations at December 31, 1999 and 1998 in the amounts of \$2,019,000 and \$33,847 respectively.

4. PROPERTY TAX

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

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

**DEERFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT

Debt outstanding at December 31, 1999, was as follows:

	Principal	Interest Rate
Long term obligations:		
Little Miami Incorporated - Foster Property Loan	\$54,000	6.15%
Tax Increment Revenue Bonds	9,400,000	3.80%
Short term obligations:		
Park land General Obligation Notes	800,000	3.87%
Sewer Project General Obligation Notes	658,666	3.87%
Public Utility Improvement General Obligation Notes	500,000	4.47%
Fire Equipment Acquisition General Obligation Notes	1,000,000	4.47%
Park Levy General Obligation Notes	1,250,000	3.35%
Fire Truck General Obligation Notes	366,923	4.03%
Total	\$14,029,589	

Long term obligations:

The Township obtained a five year 6.15% Foster Property Loan for \$135,000 on October 15, 1996. Interest and principal are due annually to Little Miami Incorporated, Amberley Village, Ohio.

The Township issued Tax Increment Revenue Notes (the notes) in 1998 in the amount of \$9,485,000 less issuance costs of \$448,054. Proceeds from the note issuance were placed in a trust fund held by Fifth Third Bank. A portion of the note proceeds was used to retire a \$1,350,000 Township street improvement note issued in 1997. The Trustee Agreement requires that certain accounts be established by the Trustee for various purposes (e.g. reserves, note servicing, payments to contractors, etc). For financial reporting purposes, the Township has reported the activity of these Trustee accounts in the financial statements. The accounts have been grouped into two fund types, Debt Service (to report note servicing related activities) and Capital Projects (to report TIF project construction activities). At December 31, 1999, the Special Revenue, Debt Service and Capital Projects trustee accounts had balances of \$129,284, \$328,331, and \$1,918,062 respectively, which have been reported as a reservation of fund balance in the financial statements.

The Tax Increment Financing Notes were issued for the purpose of (1) paying off outstanding bond anticipation notes originally issued August 14, 1997 for the purpose of paying part of the costs of making improvements and an extension to Duke Drive and realigning Irwin Simpson Road including land acquisition, planning and legal costs and (2) paying the cost of planning, design and construction of public street improvements and utilities. The notes will be repaid from service payments that will be assessed and collected by the County on property improvements in the Township. These service payment are payments made by the property owners in lieu of real property taxes. The notes commenced maturing on December 1, 1999, and will reach final maturity on December 1, 2023.

**DEERFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT (Continued)

Short term General Obligations Notes:

All of the obligations listed below are General Obligation Notes issued by the Township. These Notes are collateralized by the Township's taxing authority and are due annually.

The Park Land General Obligation Notes, were issued on June 30, 1999, in the amount of \$800,000, to purchase land to establish a Township park. These notes mature June 29, 2000.

The Sewer Project General Obligation Notes, were issued on June 30, 1999, in the amount of \$658,666, to finance the cost of making improvements to the County sewer system. These notes mature June 29, 2000.

The Public Utility Improvement General Obligation Notes, were issued on December 21, 1999, in the amount of \$500,000, to pay the cost of making improvements to the sewer system and water system. These notes mature December 7, 2000.

The Fire Equipment Acquisition General Obligation Notes were issued on December 21, 1999, in the amount of \$1,000,000, to acquire fire equipment. These notes mature December 7, 2000.

The Park Levy General Obligation Notes were issued on February 4, 1999, in the amount of \$1,250,000, to purchase land to establish a Township park. The Township passed a five year, 1 mill levy on February 3, 1998 for the purpose of purchasing park land. This levy is used to make payment on these notes. These notes mature February 3, 2000.

The Fire Truck General Obligation Notes were issued to purchase equipment for the purpose of providing fire protection in the Township. When the Mason-Deerfield Township Fire District dissolved, the Township inherited \$428,077 in debt. The Township paid off the debt in 1999 from the Fire Equipment Capital Projects Fund and issued notes in the amount of \$366,923 on August 5, 1999. These notes mature on August 3, 2000.

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

Year ending December 31:	Tax Increment Revenue Bonds	Little Miami - Foster Property Loan	General Obligation Notes
2000	\$229,613	\$30,321	\$4,755,351
2001	234,830	28,661	0
2002	245,100	0	0
2003	255,375	0	0
2004	270,764	0	0
Subsequent	<u>8,391,634</u>	<u>0</u>	<u>0</u>
Total	<u>\$9,627,316</u>	<u>\$58,982</u>	<u>\$4,755,351</u>

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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.

**DEERFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

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

8. RELATED PARTY TRANSACTIONS

The Township purchased real property from a former Township Trustee/ current Township employee. The Township paid \$1,099,000 for the land.

9. TAX INCREMENT FINANCING (TIF) PAYMENT TO SCHOOLS

The official statement of the Deerfield Township Tax Increment Revenue Notes, Series 1998, requires the Township to refund a portion of the monies it receives for service payments in lieu of taxes to two school districts affected by the TIF projects. The two school districts affected are Kings Local School District and Mason City School District. The amount of refund they receive is based on the assessed TIF value of the property being developed in each school district. These payments were made to the School Districts as required in the official statement.

10. COMPLIANCE

Contrary to various Ohio Revised Code sections, the Township:

- Expended Police District Levy funds for non police related salary,
- Did not comply with certain contract and bidding requirements.

11. CONSTRUCTION COMMITMENT

The Township has entered into a construction contract for Phase I of Wilkins Boulevard in the amount of \$1,625,410.



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REPORT OF INDEPENDENT ACCOUNTANTS 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, 1999 and 1998, and have issued our report thereon dated August 24, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 1999-40483-001 through 1999-40483-003. We also noted other immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 24, 2000.

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 1999-40483-003 through 1999-40483-007.

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, we believe none of the reportable conditions described above is a material weakness. 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 dated August 24, 2000.

This report is intended for the information and use of the audit 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, appearing to read 'Jim Petro', with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 24, 2000

**DEERFIELD TOWNSHIP
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-40483-001

Noncompliance - Budgetary

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. These were debt service payments related to the Township's debt. The Debt Service Fund had the following expenditures that exceeded appropriations at December 31, 1999 and 1998.

Year	Appropriation Authority	Budgetary Expenditures	Variance
1999	509,597	2,528,597	(2,019,000)
1998	1,600,823	1,634,670	(33,847)

We recommend the Township properly budget for debt payments to be made annually.

FINDING NUMBER 1999-40483-002

Finding for Adjustment - Police Levy

Ohio Rev. Code, Section 5705.10, requires that all money paid into any fund shall be used only for the purposes for which such fund is established. During 1999, the Township expended \$24,679 from the Police District Fund to pay the salary of the Administrative Assistant. These amounts constituted 100% of the Administrative Assistant's salary. Per this voted special levy, funds of the Police District Levy Fund are restricted to the salaries of police personnel.

Our review of the Administrative Assistant's job description revealed that some of the Administrative Assistant's time is spent on non police related activity. From discussion with the Township, we were informed that the Assistant only spends about 25% of her time performing work for the Sheriff's Patrol; the rest of her time was spent working for the Township Administrator. The Administrative Assistant was not required to complete time sheets which documented the number of hours spent working for the Sheriff's Patrol and time spent working for the Township Administrator. Had this amount been properly expended from the General Fund, the effect would have been the following:

	<u>General Fund</u>	<u>Police District Levy Fund</u>
Fund Balance December 31, 1999	\$1,219,646	\$ 305,049
1999 Administrative Assistant Salary	<u>(18,509)</u>	<u>18,509</u>
Proposed Adjusted Fund Balance December 31, 1999	<u>\$1,201,137</u>	<u>\$ 323,558</u>

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$18,509, in the favor of the Township's Police District Levy Fund.

**DEERFIELD TOWNSHIP
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-40483-003

Noncompliance/Reportable Condition - Contracts

Ohio Rev. Code, Section 515.01, requires contracts for street lighting systems or improvements where the cost exceeds \$15,000 to be competitively bid. The Township entered into a contract which exceeded \$15,000 with Cinergy for all lighting systems without going out for competitive bid.

Ohio Rev. Code, Section 4115.04, requires the township to obtain the prevailing wages in its area for the types of labor required to complete the project it is going to bid before such project is bid and again when the contract is awarded, if the award is made more than 90 days after the original prevailing wages is determined. Contractors should be informed of this prevailing wage rates requirement in the procurement contract. Twenty-nine percent of the contracts tested did not contain the required prevailing wage language.

Ohio Rev. Code, Sections 505.37 to 505.44 and 731.14, requires the purchase of fire protection equipment to be competitively bid when the cost will exceed \$15,000 and the bid should be awarded to the lowest and best bid. The Township entered into a contract for two fire rescue pumpers that exceeded \$15,000. The bid was not awarded to the lowest bid and no explanation was noted in the contract files indicating why the low bid was not selected.

Ohio Rev. Code, Section 5575.01, requires contracts for the maintenance or repair of roads, where the amount involved exceeds \$15,000 to be competitively bid. It also requires the Board of Trustees to advertise once, not later than two weeks prior to the letting of the contract, in a newspaper published in the County and of general circulation in the Township. The Township contracted with a construction company for the repair of concrete and curbs in various subdivisions without going through competitive bidding procedures. The cost incurred for one subdivision exceeded \$15,000. Also, twenty percent of contract files tested did not contain evidence of proper advertisement of bidding.

Competitively bid contracts should be approved in the Trustee minutes. All pertinent contract information should be kept in a separate file. We found a bid award for landscaping was not listed as approved in the minutes. We also found that the files of several contracts that had been competitively bid did not contain the actual contract and the contracts could not be located by the Township. Without proper recordkeeping and approval of contracts, unauthorized payments could be made by the Township. In addition, disagreements could arise involving the details of the contracts and the Township will be unable to locate the information needed to defend their position.

We recommend the Township create a file for each contract that contains, at a minimum, the following information:

- Job Name
- Location of Job
- Verification of proper public notice (newspaper advertisement or third party documentation of newspaper run dates)
- List of bidders and amounts bid (signed by all bidders at the bid opening)
- Name of successful bidder, along with contract
- Bid amount approved
- If low bidder not chosen, provide explanation to substantiate choice

**DEERFIELD TOWNSHIP
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-40483-003 (Continued)

- Copy of board minutes and date when contract was approved which includes a list of bidders, contractor awarded bid, amount of contract approved, and source of funding for the project
- Evidence of compliance with the prevailing wage rates
- Printout of expenditures incurred for the entire project
- change orders should be in writing with signature of Board approval and documentation of reasons for change and amounts

FINDING NUMBER 1999-40483-004

Reportable Condition - Special Projects Coordinator

The Special Projects Coordinator was hired in January 1998, but did not have a formal employment agreement. He had no set schedule or minimum time requirement. Without a written employment agreement, disagreements between actual job duties could arise during the course of employment.

A formal employment agreement should be created for those employees that are not otherwise covered by the salary schedule and do not have a job description.

In April 2000, the trustees entered into an employment agreement with the Special Projects Coordinator.

FINDING NUMBER 1999-40483-005

Reportable Condition - Travel Policy

The Township has not established a formal travel reimbursement policy. During 1999 and 1998 proper documentation was not always attached to travel related vouchers to support the validity of the expenditure. In the following cases, the charge slip, which only listed the amount of the charges and the cardholder's signature was attached with no documentation as to the business / public purpose of the expenditure.

Our tests of travel and office expenditures revealed the following expenditures did not contain detailed documentation.

**DEERFIELD TOWNSHIP
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-40483-005 (Continued)

Check #	Amount in question	Payment Date	Payee/Signed	Dates of Charge	Explanation
23450	\$141.37	2/16/99	MBNA Credit Card/signed by Ben Dotson.	1/15/99	Marriott Hotels NE, Mason, Ohio - Meal at hotel (including tip of \$19) No documentation attached other than the credit card voucher. No documentation of public purpose for expenses.
20733	20.00	4/21/98	Hazel Dotson	4/5/98	Meal reimbursement - Legal SeaFoods, Boston. Payment included a gratuity of 27%. No documentation for meal other than the credit card voucher. No documentation of public purpose for expenses.
26157	429.05	9/16/99	MBNA Credit Card/in the name of Ben Dotson	8/4/99 - 8/7/99	Hyatt Regency, Cincinnati, Ohio- Group room, lunch, parking and phone calls. Payment was made for several local phone calls totaling \$12.75. No supporting documentation attached for meals totaling \$147.57. No documentation of public purpose for expenses.
23221	275.00	1/31/99	MBNA Credit Card	12/21/98	GFOA expenditure. No supporting documentation attached other than a credit card statement. No documentation of public purpose for expenses.
24550	386.82	5/14/99	MBNA Credit Card/ in name of Ted Farquer	4/11/99- 4/15/99	Hilton, Allentown, PA Hotel room, parking No supporting documentation for meals totaling \$24.62. No documentation of public purpose for expenses.

**DEERFIELD TOWNSHIP
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-40483-005 (Continued)

25055	806.02	6/17/99	MBNA Credit Card	5/24/99-5/26/99	GFOA meeting expenses held in Nashville, TN. No supporting documentation other than credit card statement for: Marathon Oil totaling \$9.50 Opryland Hotel Restaurant totaling \$22.08 Conference Dates: 5/23/99 - 5/26/99 Hotel Lodging Dates: Shoneys Inn 5/23, Opryland Hotel 5/24-5/26.
23603	159.96	not available	not available	not available	OfficeMax. No supporting documentation for purchases made.
21886	2,373.59	10/20/98	MBNA Credit Card	9/11/98 - 9/15/98	Related expenditures for Trustees and Clerk to go to Washington, DC. No supporting documentation other than credit card statement.
21248	2,058.28	7/21/98	Ben Dotson	6/27/98-7/5/98	Reimbursement for GFOA conference and related expenditures in San Francisco, CA. No supporting documentation for meals, however deducted \$117.13 for spouse's meals. Conference Dates: 6/28/98-7/1/98 Hotel Lodging Dates in San Francisco: 6/27/98 - 7/4/98 Meals Dates in San Francisco: 6/28/98-7/5/98 No documentation of public purpose for expenses 7/2/98 to 7/5/98.

Without a travel policy in place, expenditures could be made that are not for a proper public purpose. We recommend that the Township create a travel policy with guidelines to be followed by the Trustees, Clerk and Township employees.

This policy should contain guidelines with respect to expenditures related to meals (and tips), hotels, rental car reimbursement, parking, training and long distance phone calls. All reimbursed expenditures should be supported by detailed receipts. The policy should state the proper reimbursement procedures such as the allowable mileage rate, maximum daily hotel rates, submission of travel receipts, maximum amount of gratuities and the maximum amount of long distance phone call reimbursement. The policy should also include guidelines for the use of a hotel room within a certain distance from the Township.

The policy should address how the Township will treat those expenditures which appear personal in nature and are not for business/public purpose. The Township should review expenditures to evaluate whether they are possible taxable fringe benefits and should be reported to the Internal Revenue Service.

**DEERFIELD TOWNSHIP
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-40483-005 (Continued)

In the future if the Township would not have a policy and lack the specific details related to travel expenditures and reimbursements, this could result in a finding for recovery being issued.

FINDING NUMBER 1999-40483-006

Reportable Condition - Charge Accounts/Credit Cards

The Township has numerous charge accounts in which several individuals have pin numbers. Per inquiry with the Clerk, some of the individuals are no longer employees. For many of these charge accounts we found the following control deficiencies:

- Charge account card usage was not monitored.
- Payments were made without the original receipts.
- Balances were maintained on the charge accounts throughout the audit period.
- A few instances in which sales tax was included in the charge of purchases.

Without proper monitoring of charge accounts usage, charges could be incurred that are not properly authorized or charges could be made by individuals who are no longer employees, thus incurring improper liabilities for the Township.

To improve controls over charge account usage:

- The Township should create a policy regarding the use of charge accounts, along with limiting the number of employees who are authorized on the charge account to make purchases. Once an employee leaves or is terminated, their name should be removed from the account.
- Charge accounts should be paid in full monthly.
- Charge accounts should only be issued to a limited number of employees and should only be used in limited situations specified in the usage policy.
- All payments made should be supported by original receipts. Invoices should be signed and returned to the Township Clerk for verification purposes once invoices are received from vendors.
- Employees should submit the tax identification number to the vendors so the charges will be tax-exempt.

The Township also has gas credit cards and a credit card for travel expenditures. We found the following control deficiencies in the usage of credit cards:

- Gas credit cards were maintained at the local gas stations.
- A list of authorized credit card users was not provided to the gas stations.

**DEERFIELD TOWNSHIP
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-40483-006 (Continued)

To improve controls over credit card usage:

- A list of designated users should be provided to the vendors (gas stations).
- When gas is purchased, invoices should be signed and returned to the Township Clerk for verification purposes once invoices are received from the vendors.

FINDING NUMBER 1999-40483-007

Reportable Condition - Reconciliations

All financial activity of the Township should be recorded in the Township records. We found that the Township issued \$9,485,000 in Tax Increment Revenue notes during 1998; however, only a portion of the proceeds was recorded in the Township records. As a result, the Township records were not properly reconciled because of the monies being transferred between the trustee accounts created as a result of the debt issuance. Extra time was spent on the audit to reconcile the Tax Increment Fund and verify that all activity would be properly included in the financial statements. We recommend that the Township consult with the Auditor of State Local Government Service's office when there are questions concerning the proper accounting treatment of financial activity.

The financial activity of the Township should be reconciled monthly with the bank statements. Local Government Services, of the Auditor of State's office, was contracted by the Township to assist in the March 2000 reconciliation of the financial records. Without proper monthly reconciling of the Township records, errors or irregularities could occur and go undetected. As of August 24, 2000, the Township's financial records were reconciled with the bank statements.



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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
OCTOBER 12, 2000**