



**Auditor of State
Betty Montgomery**

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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**Auditor of State
Betty Montgomery**

Deerfield Township
Warren County
3378 Townsley Drive
Loveland, Ohio 45140

To the Board of Trustees:

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

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 20, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Deerfield Township
Warren County
3378 Townsley Drive
Loveland, Ohio 45140

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, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds, the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Deerfield Township, Warren County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 20, 2005

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, 2004**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Local Taxes	1,329,105	6,262,918	0	0	0	7,592,023
Intergovernmental	1,135,792	1,387,375	0	0	0	2,523,167
Special Assessments	0	348,570	0	0	0	348,570
Charges for Services	0	346,457	0	0	0	346,457
Licenses, Permits, and Fees	157,185	0	0	0	0	157,185
Fines and Forfeitures	149,931	0	0	0	0	149,931
Earnings on Investments	128,539	41,209	14,644	32,273	233	216,898
Service Payments in Lieu of Taxes	0	3,557,124	0	0	0	3,557,124
Other Revenue	461,064	288,744	0	57,402	0	807,210
Total Cash Receipts	3,361,616	12,232,397	14,644	89,675	233	15,698,565
Cash Disbursements:						
Current:						
General Government	2,030,345	0	0	0	0	2,030,345
Payments to Schools	0	548,061	0	0	0	548,061
Public Safety	0	5,244,987	0	0	0	5,244,987
Public Works	34,127	1,242,854	0	0	0	1,276,981
Health	18,061	284,607	0	0	0	302,668
Conservation - Recreation	0	334,163	0	0	0	334,163
Miscellaneous	0	62,236	0	0	385	62,621
Debt Service:						
Redemption of Principal	0	0	11,540,868	0	0	11,540,868
Interest and Fiscal Charges	0	0	1,240,673	30,971	0	1,271,644
Capital Outlay	0	334,763	0	4,362,338	0	4,697,101
Total Cash Disbursements	2,082,533	8,051,671	12,781,541	4,393,309	385	27,309,439
Total Receipts Over/(Under) Disbursements	1,279,083	4,180,726	(12,766,897)	(4,303,634)	(152)	(11,610,874)
Other Financing Sources/(Uses):						
Sale of Notes	0	0	10,001,206	808,018	0	10,809,224
Operating Transfers-In	0	1,083,953	3,415,288	336,580	0	4,835,821
Advances-In	200,000	200,000	0	0	0	400,000
Operating Transfers-Out	(662,130)	(3,152,391)	(738,269)	(283,031)	0	(4,835,821)
Advances-Out	(200,000)	(200,000)	0	0	0	(400,000)
Total Other Financing Sources/(Uses)	(662,130)	(2,068,438)	12,678,225	861,567	0	10,809,224
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	616,953	2,112,288	(88,672)	(3,442,067)	(152)	(801,650)
Fund Cash Balances, January 1	4,948,624	8,362,113	1,272,654	6,054,842	28,781	20,667,014
Fund Cash Balances, December 31	\$5,565,577	\$10,474,401	\$1,183,982	\$2,612,775	\$28,629	\$19,865,364
Reserve for Encumbrances, December 31	\$350,477	\$292,049	\$0	\$441,986	\$0	\$1,084,512

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, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Local Taxes	\$1,232,794	\$5,929,849	\$0	\$0	\$0	\$7,162,643
Intergovernmental	809,230	1,204,465	0	0	0	2,013,695
Special Assessments	0	367,091	0	0	0	367,091
Charges for Services	0	178,228	0	0	0	178,228
Licenses, Permits, and Fees	80,160	0	0	0	0	80,160
Fines and Forfeitures	99,491	0	0	0	0	99,491
Earnings on Investments	130,647	35,663	9,597	42,335	784	219,026
Service Payments in Lieu of Taxes	0	3,354,652	0	0	0	3,354,652
Other Revenue	479,746	301,281	0	2,500	0	783,527
Total Cash Receipts	<u>2,832,068</u>	<u>11,371,229</u>	<u>9,597</u>	<u>44,835</u>	<u>784</u>	<u>14,258,513</u>
Cash Disbursements:						
Current:						
General Government	2,104,618	0	0	0	0	2,104,618
Payments to Schools	0	979,227	0	0	0	979,227
Public Safety	0	4,884,009	0	0	0	4,884,009
Public Works	61,351	846,577	0	0	0	907,928
Health	12,926	231,142	0	0	0	244,068
Conservation - Recreation	0	284,960	0	0	0	284,960
Miscellaneous	0	52,677	6,787	0	275	59,739
Debt Service:						
Redemption of Principal	0	0	8,952,962	0	0	8,952,962
Interest and Fiscal Charges	0	0	1,240,666	119,610	0	1,360,276
Capital Outlay	0	316,529	0	8,854,776	0	9,171,305
Total Cash Disbursements	<u>2,178,895</u>	<u>7,595,121</u>	<u>10,200,415</u>	<u>8,974,386</u>	<u>275</u>	<u>28,949,092</u>
Total Receipts Over/(Under) Disbursements	653,173	3,776,108	(10,190,818)	(8,929,551)	509	(14,690,579)
Other Financing Sources/(Uses):						
Sale of Notes	0	0	7,917,175	8,118,958	0	16,036,133
Sale of Fixed Assets	0	370,000	0	0	0	370,000
Operating Transfers-In	0	491,458	2,858,840	1,097,521	0	4,447,819
Advances-In	171,000	171,000	0	0	0	342,000
Operating Transfers-Out	(1,631,832)	(2,787,765)	(28,222)	0	0	(4,447,819)
Advances-Out	(171,000)	(171,000)	0	0	0	(342,000)
Total Other Financing Sources/(Uses)	<u>(1,631,832)</u>	<u>(1,926,307)</u>	<u>10,747,793</u>	<u>9,216,479</u>	<u>0</u>	<u>16,406,133</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	<u>(978,659)</u>	<u>1,849,801</u>	<u>556,975</u>	<u>286,928</u>	<u>509</u>	<u>1,715,554</u>
Fund Cash Balances, January 1	5,927,283	6,512,312	715,679	5,767,914	28,272	18,951,460
Fund Cash Balances, December 31	<u>\$4,948,624</u>	<u>\$8,362,113</u>	<u>\$1,272,654</u>	<u>\$6,054,842</u>	<u>\$28,781</u>	<u>\$20,667,014</u>
Reserve for Encumbrances, December 31	<u>\$342,777</u>	<u>\$344,737</u>	<u>\$0</u>	<u>\$441,986</u>	<u>\$0</u>	<u>\$1,129,500</u>

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

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Deerfield Township, Warren County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery services, fire protection, emergency medical services, and parks and recreational services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Township values certificates of deposit and U.S. savings bonds at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as investments. 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge - This Fund receives property tax money for 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. The Township contracts with the Warren County Sheriff for provision of these 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 and wages of firefighters and paramedics.

Park Fund – This Fund receives park levy monies which are used for the purchase and maintenance of Township park and recreational 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 account for resources for the accumulation and 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 principal and interest on TIF notes.

4. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Projects 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.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fiduciary Funds (Expendable Trust)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. Because the trust agreements do not require that the Township maintain the corpus of the trust, 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 be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand Deposits	\$8,853,934	\$9,974,976
Money Market Demand Deposits	7,990,730	10,671,338
Certificates of Deposit	3,000,000	0
Total Deposits	19,844,664	20,646,314
U.S. Savings Bonds	20,700	20,700
Total Investments	20,700	20,700
Total Deposits and Investments	\$19,865,364	\$20,667,014

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or collateralized 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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,571,800	\$3,361,616	\$789,816
Special Revenue	7,496,986	8,237,568	740,582
Debt Service	11,067,968	11,075,574	7,606
Capital Projects	44,799,356	8,668,619	(36,130,737)
Expendable Trust	430	233	197
Total	\$65,936,540	\$31,343,610	(\$34,592,930)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,520,425	\$3,095,140	\$4,425,285
Special Revenue	11,460,646	8,847,509	2,613,137
Debt Service	11,067,966	11,067,966	0
Capital Projects	45,160,522	11,026,064	34,134,458
Expendable Trust	430	385	45
Total	\$75,209,989	\$34,037,064	\$41,172,925

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,534,854	\$2,832,068	\$297,214
Special Revenue	7,202,550	8,020,189	817,639
Debt Service	8,546,892	8,546,893	1
Capital Projects	9,748,364	15,712,531	5,964,167
Expendable Trust	430	784	354
Total	\$28,033,090	\$35,112,465	\$7,079,375

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,462,107	\$4,153,472	\$4,308,635
Special Revenue	10,518,180	7,625,885	2,892,295
Debt Service	8,546,892	8,546,890	2
Capital Projects	18,826,113	14,199,857	4,626,256
Expendable Trust	430	275	155
Total	\$46,353,722	\$34,526,379	\$11,827,343

As more fully described below in Notes 5 and 9, the Township accounts for the activity of its Tax Increment Financing (TIF) by allocating such activity to the Special Revenue, Debt Service and Capital Project fund types. However, for budgetary compliance purposes and on the Township's official budget documents, all of the TIF activity is reported as a Capital Projects fund. Therefore, the budgetary presentations above have included all TIF budgeted and actual receipts and expenditures within the Capital Project fund type. The variance between 2004 Budgeted Receipts and Actual Receipts for Capital Projects occurred due to certain timing issues related to the completion of TIF account reconciliations by the entity engaged to reconcile the TIF activity. Therefore, the Township did not have the necessary information to request a reduced amended certificate by the end of 2004.

4. PROPERTY TAX

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

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
WARREN COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

Description	Principal Outstanding	Interest Rate
Long-term Tax Increment Financing Obligations:		
Variable Rate Subordinate Tax Increment Revenue Notes, Series 2003B	\$4,655,000	2.04% as of 12/31/2004
Variable Rate Subordinate Tax Increment Revenue Notes, Series 2003A	3,600,000	2.04% as of 12/31/2004
Tax Increment Revenue Notes, Series 2001B	12,100,000	average 4.73%
Tax Increment Revenue Notes, Series 1998	8,190,000	average 4.50%
Total Long-term Tax Increment Financing Obligations	\$28,545,000	
Long-term Road Improvement Special Assessment Bonds (dated September 15, 2004 and maturing December 1, 2014)	\$800,000	3.78%
Short-term General Obligation Various Purpose Bond Anticipation Notes, Series 2004 (dated December 2, 2004 and maturing December 1, 2005)		
Series 2001, Fourth (2004B) Renewal, Building Acquisition Notes	\$444,000	2.75%
Series 2003, Second (2004B) Renewal, Various Purpose	2,685,000	2.75%
Series 2002, Second (2004B) Renewal, Various Purpose	3,735,600	2.75%
Total Short-term General Obligation Various Purpose Bond Anticipation Notes, Series 2004	\$6,864,600	2.75%
Total Long-term and Short-term Obligations outstanding December 31, 2004	\$36,209,600	

Long-term Obligations:

Series 2003

In 2003, the Township issued two series of Ohio Variable Rate Subordinate Tax Increment Revenue Notes with a total face amount of \$8,255,000. The first series of 2003 notes (the Series 2003A Notes) with a face amount of \$3,600,000 was issued in April of 2003 and the second series (the Series 2003B Notes) with a face amount of \$4,655,000 was issued in June of 2003.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

5. DEBT (Continued)

The Series 2003A Notes were issued as provided for by a Supplemental Trust Agreement dated April 1, 2003, and pursuant to a resolution adopted by the Board of Trustees on April 1, 2003. The Series 2003A Notes were issued for the following purposes: (1) paying the costs of the planning, design and construction of public street improvements including pavements, walkways, traffic control devices, etc.; (2) paying the cost of the planning, design, and construction of utilities including but not limited to water, sanitary sewers, gas mains, electric and communication facilities, . . . including reconstruction of roads and the acquisition and development of parklands; and (3) the creation or enhancement of buffer areas, recreational facilities and open areas necessary for ensuring the compatibility of adjacent land use areas and the purchase of property, rights of way, etc.

The Series 2003A Notes are special, unvoted obligations of the Township which do not constitute a general obligation of the Township. The Series 2003A Notes are expected to be paid from: (1) Service Payments made pursuant to a February 24, 2003 Service Agreement among the Issuer, Cincinnati United Contractors, Inc., and Arbor Square LLC; (2) Service Payments which the Issuer has required certain property owners listed in the Trust Agreement to make, pursuant to Section 5709.75 of the Ohio Revised Code; and (3) certain other moneys held in Funds defined in the Trust Agreement. Because the Series 2003A Notes were issued subordinate in all respects to previously issued Tax Increment Revenue Notes (described below), all payments made on the Series 2003A Notes are subject to the prior claims of senior debt.

The Series 2003A Notes bear interest at a weekly interest rate determined by the Remarketing Agent. The Remarketing Agent determines the rate on each "Interest Rate Determination Date" and such rate is effective as of the "Interest Rate Adjustment Date", as defined for such interest rate period. The rate of interest determined by the Remarketing Agent for a particular interest rate period is to be the lowest rate at which, in the judgment of the Remarketing Agent, the Series 2003A Notes could be remarketed at par, plus accrued interest (if any), on the Interest Rate Adjustment Date for that interest rate period.

The Series 2003B Notes were issued as provided for by a Supplemental Trust Agreement dated June 1, 2003, and pursuant to a resolution adopted by the Board of Trustees on June 4, 2003. The Series 2003B Notes were issued for the following purposes: (1) paying the costs associated with making improvements to the public infrastructure and other purposes similar to the Series 2003A Notes; (2) funding a debt service fund, if required; and (3) paying the costs of issuance of the notes.

Similar to the Series 2003A Notes, the Series 2003B Notes are special, unvoted obligations of the Township which do not constitute a general obligation of the Township. Pursuant to the terms of the Trust Agreement and a related Service Agreement, Deerfield Towne Center, an Ohio limited liability company, (the Developer), caused to be issued and delivered to the Trustee by National City Bank an irrevocable direct pay letter of credit pursuant to which the Trustee is entitled to draw up to the principal amount of the Series 2003B Notes outstanding to enable the Trustee to pay related principal and the amount of interest accruing on the Notes.

The Series 2003B Notes bear interest in a manner similar to the Series 2003A Notes.

The Township has reported the activity of the Series 2003A and Series 2003B Notes in the Special Revenue, Debt Service, and Capital Projects Fund types.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

5. DEBT (Continued)

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 (the Series 2001A Notes) with a face amount of \$7,500,000 were issued in April of 2001 and the second series (the Series 2001B Notes) 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. 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.

At the time of issuance, pursuant to the requirements of the related Trust Agreement, proceeds from the issuance were deposited into several bank trust accounts maintained by a trust administrator. The Township has reported the activity of the outstanding Series 2001B Notes 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 2001 Notes described above, the Series 1998 Notes are unvoted limited obligations of the Township. The Series 1998 Notes are expected to be paid from sources similar to those for the Series 2001B Notes. Also, the Township has covenanted to make up any shortfall in Service Payments in Lieu of Taxes in a manner similar to that of the Series 2001B Notes.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

5. DEBT (Continued)

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 Service Payments in Lieu of Taxes in a manner similar to that of the Series 2001B Notes.

At the time of issuance, pursuant to the requirements of the related Trust Agreement, proceeds from the issuance were deposited into several bank trust accounts maintained by the trust administrator. The Township has reported the activity of the outstanding Series 1998 Notes in the Special Revenue, Debt Service, and Capital Project fund types.

Annual Debt Service Requirements to Maturity

Annual debt service requirements to maturity for all long-term outstanding debt at December 31, 2004, are as follows:

Year Ending December 31	Principal	Interest	Total
2005	\$725,000	\$1,484,068	\$2,209,068
2006	1,045,000	1,456,920	2,501,920
2007	1,090,000	1,236,364	2,326,364
2008	1,140,000	1,193,539	2,333,539
2009	<u>1,185,000</u>	<u>1,147,651</u>	<u>2,332,651</u>
2010 & thereafter	<u>\$24,160,000</u>	<u>\$12,232,108</u>	<u>\$36,392,108</u>

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes the contribution rates. For 2004 and 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 16.70 percent of the remaining participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained comprehensive commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Employee dishonesty, errors and omissions.

The Township has obtained a separate comprehensive policy for fire and emergency medical services operations.

8. CONTINGENT LIABILITIES

The Township is the defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. TAX INCREMENT FINANCING

As more fully described above in Note 5, since 1998 and during 2003, 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 and the related trust agreements, the proceeds of the notes were deposited into various bank trust accounts and are to be used to pay all costs of the improvement projects, including retirement of 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 table below presents the TIF balances and activity that has been included in the financial statements for the year 2003:

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

9. TAX INCREMENT FINANCING (Continued)

Account Classification	Special Revenue	Debt Service	Capital Projects	Total
Amounts Added to Beginning Cash Balance(s)	\$2,625,078	\$684,759	\$3,069,312	\$6,379,149
Amounts Added to Cash Receipts:				
Intergovernmental Revenues	374,709	0	0	374,709
Earnings on Investments	27,323	9,597	42,335	79,255
Service Payments in Lieu of Taxes	3,354,652	0	0	3,354,652
Total Amounts Added to Cash Receipts	3,756,684	9,597	42,335	3,808,616
Amounts Added to Cash Disbursements:				
Capital Outlay	0	0	4,966,386	4,966,386
Payments to Schools	979,227	0	0	979,227
Debt Principal Payments	0	600,001	0	600,001
Debt Interest & Fiscal Charges	0	1,046,737	0	1,046,737
Other	52,681	6,787	119,610	179,078
Total Amounts Added to Cash Disbursements	1,031,908	1,653,525	5,085,996	7,771,429
Total Amounts Added to Receipts Over / (Under) Disbursements	2,724,776	(1,643,928)	(5,043,661)	(3,962,813)
Amounts Added to Other Financing Sources / (Uses):				
Sale of Notes	0	603,125	7,651,875	8,255,000
Operating Transfers-In	455,814	1,625,997	16,241	2,098,052
Operating Transfers-Out	(2,069,830)	(28,222)	0	(2,098,052)
Total Amounts Added to Other Financing Sources / (Uses)	(1,614,016)	2,200,900	7,668,116	8,255,000
Total Amounts Added to Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Sources / (Uses)	1,110,760	556,972	2,624,455	4,292,187
Amounts Added to Ending Cash Balance(s)	\$3,735,838	\$1,241,731	\$5,693,767	\$10,671,336

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

9. TAX INCREMENT FINANCING (Continued)

The table below presents the TIF balances and activity that has been included in the financial statements for the year 2004:

Account Classification	Special Revenue	Debt Service	Capital Projects	Total
Amounts Added to Beginning Cash Balance(s)	\$3,735,838	\$1,241,731	\$5,693,767	\$10,671,336
Amounts Added to Cash Receipts:				
Intergovernmental Revenues	452,626	0	0	374,709
Earnings on Investments	33,085	14,644	32,268	79,255
Service Payments in Lieu of Taxes	3,557,124	0	0	3,354,652
Other Revenue			57,402	
Total Amounts Added to Cash Receipts	4,042,835	14,644	89,670	3,808,616
Amounts Added to Cash Disbursements:				
Capital Outlay	153,446	0	4,319,471	4,966,386
Payments to Schools	548,061	0	0	979,227
Debt Principal Payments	0	630,735	0	600,001
Debt Interest & Fiscal Charges	0	1,082,840	30,971	1,046,737
Other	62,236	0	0	179,078
Total Amounts Added to Cash Disbursements	763,743	1,713,575	4,350,442	7,771,429
Total Amounts Added to Receipts Over / (Under) Disbursements	3,279,088	(1,698,931)	(4,260,767)	(3,962,813)
Amounts Added to Other Financing Sources / (Uses):				
Sale of Notes	0	0	0	8,255,000
Operating Transfers-In	1,035,951	2,340,920	336,580	2,098,052
Operating Transfers-Out	(2,692,151)	(738,269)	(283,031)	(2,098,052)
Total Amounts Added to Other Financing Sources / (Uses)	(1,656,200)	1,602,651	53,549	8,255,000
Total Amounts Added to Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Sources / (Uses)	1,622,888	(96,280)	(4,207,218)	4,292,187
Amounts Added to Ending Cash Balance(s)	\$5,358,730	\$1,145,451	\$1,486,544	\$7,990,725

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

10. RESTATEMENT OF BEGINNING FUND BALANCES

Beginning fund balances at January 1, 2003 for the Special Revenue and Capital Projects fund types have been restated. Restatement was made because certain tax increment financing receipts had been improperly posted to the Capital Projects fund type at December 31, 2002.

	Special Revenue	Capital Projects
Cash as Reported at 12/31/2002	\$6,388,459	\$5,891,767
Error in Presentation	123,853	(123,853)
Cash as Reported at 1/1/2003	\$6,512,312	\$5,767,914

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Auditor of State Betty Montgomery

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

Deerfield Township
Warren County
3378 Townsley Drive
Loveland, Ohio 45140

To the Board of Trustees:

We have audited the financial statements of Deerfield Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 20, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Township's management dated September 20, 2005.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as Item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to the Township's management in a separate letter dated September 20, 2005.

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

Betty Montgomery
Auditor of State

September 20, 2005

**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding for Recovery

Jennifer Haller-Wilder, a former employee of the Township, signed a College Tuition Reimbursement Agreement (the Agreement) with the Township on June 5, 2002. Pursuant to the terms of the agreement, the Board of Trustees agreed to reimburse Ms. Haller-Wilder for the costs associated with certain college level courses with the stipulation that "If the employee voluntarily separates from the Township within two years of completing the final course towards a degree program, the cost of the courses taken within those two years must be 100% reimbursed to the Township." During 2003, Ms. Haller-Wilder received four (4) reimbursement checks from the Township, with the final reimbursement check being issued on December 16, 2003, at which time she had completed the final course in a master of business administration program. Ms. Haller-Wilder subsequently resigned from employment with the Township effective October 27, 2004, which was prior to the agreed-upon two year period from the date of completing the final course towards a degree program.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery in favor of Deerfield Township, Warren County, in the amount of \$3,293.10, is hereby issued against Ms. Jennifer Haller-Wilder.

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**DEERFIELD TOWNSHIP
WARREN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Accounting and Reporting for Tax Increment Financing Activities	Yes	
2002-002	Financial Reporting Software	Yes	



**Auditor of State
Betty Montgomery**

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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 20, 2005**