



**Auditor of State
Betty Montgomery**

**PIERCE TOWNSHIP
CLERMONT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Pierce Township
Clermont County
950 Locust Corner Road
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the accompanying financial statements of Pierce Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2003 and 2002, 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 October 5, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 5, 2004

**PIERCE TOWNSHIP
CLERMONT COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$221,592	\$2,703,809	\$48,835	\$0	\$2,974,236
Intergovernmental	262,264	1,090,936	132,648		1,485,848
Special Assessments		166,698			166,698
Payment in Lieu of Taxes			1,010,386		1,010,386
Charges for Services		66,174			66,174
Licenses, Permits, and Fees	24,921	38,317			63,238
Fines, Forfeitures, and Penalties	2,990				2,990
Earnings on Investments	31,632	1,291			32,923
Other Revenue	45,262	197,513			242,775
	<u>588,661</u>	<u>4,264,738</u>	<u>1,191,869</u>	<u>0</u>	<u>6,045,268</u>
Cash Disbursements:					
Current:					
General Government	591,110	17,629			608,739
Public Safety		2,403,480			2,403,480
Public Works	5,559	1,250,880			1,256,439
Health	49,817	39,335			89,152
Human Services	25,966				25,966
Contract Services		14,685			14,685
Miscellaneous			1,830		1,830
Debt Service:					
Redemption of Principal			8,398,319		8,398,319
Interest and Fiscal Charges			877,084		877,084
Capital Outlay	13,051	110,040	295,477		418,568
	<u>685,503</u>	<u>3,836,049</u>	<u>9,572,710</u>	<u>0</u>	<u>14,094,262</u>
Total Receipts Over/(Under) Disbursements	<u>(96,842)</u>	<u>428,689</u>	<u>(8,380,841)</u>	<u>0</u>	<u>(8,048,994)</u>
Other Financing Receipts:					
Proceeds form Sale of Bonds			9,335,000	660,000	9,995,000
Other Sources	46,656				46,656
	<u>46,656</u>	<u>0</u>	<u>9,335,000</u>	<u>660,000</u>	<u>10,041,656</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(50,186)	428,689	954,159	660,000	1,992,662
Fund Cash Balances, January 1	579,534	1,708,832	3,309	0	2,291,675
Fund Cash Balances, December 31	<u>\$529,348</u>	<u>\$2,137,521</u>	<u>\$957,468</u>	<u>\$660,000</u>	<u>\$4,284,337</u>
Reserve for Encumbrances, December 31	<u>\$32,421</u>	<u>\$168,005</u>	<u>\$14,452</u>	<u>\$0</u>	<u>\$214,878</u>

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

**PIERCE TOWNSHIP
CLERMONT COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$199,904	\$2,499,646	\$60,000	\$0	\$2,759,550
Intergovernmental	275,684	951,548	102,469		1,329,701
Special Assessments		149,004			149,004
Payment in Lieu of Taxes			789,010		789,010
Charges for Services		29,774			29,774
Licenses, Permits, and Fees	17,882	35,385			53,267
Fines, Forfeitures, and Penalties	2,980				2,980
Earnings on Investments	48,431	1,873			50,304
Other Revenue	219,099	141,759		3,223	364,081
Total Cash Receipts	<u>763,980</u>	<u>3,808,989</u>	<u>951,479</u>	<u>3,223</u>	<u>5,527,671</u>
Cash Disbursements:					
Current:					
General Government	338,201	46,394			384,595
Public Safety		2,334,226			2,334,226
Public Works	5,532	1,145,553			1,151,085
Health	53,065	104,156			157,221
Human Services	20,599				20,599
Miscellaneous			1,672	4,472	6,144
Debt Service:					
Redemption of Principal			511,836		511,836
Interest and Fiscal Charges			434,744		434,744
Capital Outlay	114,026	426,143			540,169
Total Cash Disbursements	<u>531,423</u>	<u>4,056,472</u>	<u>948,252</u>	<u>4,472</u>	<u>5,540,619</u>
Total Receipts Over/(Under) Disbursements	<u>232,557</u>	<u>(247,483)</u>	<u>3,227</u>	<u>(1,249)</u>	<u>(12,948)</u>
Other Financing Receipts:					
Other Sources	2,605				2,605
Total Other Financing Receipts	<u>2,605</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,605</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	235,162	(247,483)	3,227	(1,249)	(10,343)
Fund Cash Balances, January 1	344,372	1,956,315	82	1,249	2,302,018
Fund Cash Balances, December 31	<u><u>\$579,534</u></u>	<u><u>\$1,708,832</u></u>	<u><u>\$3,309</u></u>	<u><u>\$0</u></u>	<u><u>\$2,291,675</u></u>
Reserve for Encumbrances, December 31	<u>\$1,418</u>	<u>\$20,844</u>	<u>\$0</u>	<u>\$0</u>	<u>\$22,262</u>

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

**PIERCE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Pierce Township, Clermont County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Union Township to provide fire and emergency medical services and New Richmond Fire Department to provide fire protection.

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

Investments are included in fund cash balances. 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.

The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

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:

**PIERCE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Police District Fund - This fund receives proceeds from property taxes for police department operations and protection services.

Fire District Fund - This fund receives proceeds from property taxes for fire department and life squad protection and emergency.

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 Fund:

Tax Increment Financing (TIF) Debt Service Fund – This fund is used to account for the proceeds of the payments in lieu of taxes (PILOT) money to make principal and interest payments on debt issued to finance road improvements and extensions.

4. Capital Project Fund

This capital project fund is 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 Capital Projects Fund – This fund is used to account for the proceeds of the Tax Increment Revenue Notes and payment of road improvements and extensions, constructions of utilities and the purchase of property necessary for development. These funds are held on the Township's behalf by the Trustee.

5. Fiduciary Fund (Agency Fund)

These funds are used to account for resources for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Agency Fund – The Township used this fund in 2002 to account for unclaimed monies.

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.

**PIERCE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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. The Township did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$2,136,638	\$167,597
STAR Ohio	2,147,699	2,124,078
Total deposits and investments	\$4,284,337	\$2,291,675

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

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

The tax increment revenue notes trust agreement requires the Township to establish several funds that are to be maintained by a Trustee. At December 31, 2003, the Trustee held on the Township's behalf the following amounts, included as assets in the accompanying financial statements:

Fund	2003
TIF Capital Project	\$660,000
TIF Debt Service	942,944

**PIERCE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$552,472	\$635,317	\$82,845
Special Revenue	4,055,880	4,264,738	208,858
Debt Service	1,501,869	10,526,869	9,025,000
Capital Projects	0	660,000	660,000
Total	\$6,110,221	\$16,086,924	\$9,976,703

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,133,424	\$717,924	\$415,500
Special Revenue	5,717,266	4,004,054	1,713,212
Debt Service	1,505,178	9,587,163	(8,081,985)
Total	\$8,355,868	\$14,309,141	(\$5,953,273)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$761,138	\$766,585	\$5,447
Special Revenue	3,840,535	3,808,989	(31,546)
Debt Service	951,479	951,479	0
Fiduciary	3,223	3,223	0
Total	\$5,556,375	\$5,530,276	(\$26,099)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,106,546	\$532,841	\$573,705
Special Revenue	5,804,461	4,077,316	1,727,145
Debt Service	951,562	948,252	3,310
Fiduciary	4,472	4,472	0
Total	\$7,867,041	\$5,562,881	\$2,304,160

Contrary to Ohio law, budgetary expenditures plus encumbrances exceeded appropriations at fiscal year 2003 year-end in the Debt Service Tax Increment Fund by \$8,081,985.

**PIERCE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
TIF Revenue Bonds	\$9,685,000	2.0 - 4.4%
Fire Equipment Bond	310,000	3.89%
Total	\$9,995,000	

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

	Fire Equipment Bond
Year ending December 31:	
2004	\$37,957
2005	37,957
2006	37,957
2007	37,957
2008	37,957
2009 - 2013	189,785
Total	\$379,570

**PIERCE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

The Township issued \$9,685,000 of Tax Increment Revenue Bonds (the bonds) in 2003 and incurred issuance costs of \$142,264. A portion of the bond proceeds was used to retire an existing \$8,246,378 Tax Increment Revenue Notes issued 2000. The remaining Bond proceeds were placed with a trustee. The Trust agreement requires the Trustee to establish funds for debt service reserves, bond servicing and payments to contactors. The Township reports bond servicing in a debt service fund and project construction costs in a capital projects fund. At December 31, 2003, the Debt Service and Capital Projects trustee accounts had balances of \$942,944 and \$660,000, respectively. The Tax Increment Financing Bonds were issued to (1) retire bond anticipation notes issued April 1, 2000 and (2) pay the cost of constructing and installing certain additional public improvements. The bonds will be repaid from payments in lieu of taxes assessed and collected by the County on property improvements in Pierce Township. The Township is primarily liable for the TIF bonds. Therefore, although the payments in lieu of taxes are collected by the county and the corresponding debt payments made by the county, the Township will record on their financial statements the receipts and disbursements made on behalf of the Township by the County.

Amortization of the above debt, including interest, is schedule as follows. The interest is based on the floating rate in effect at December 31, 2003 of 4.913%:

Year ending December 31:	<u>Tax Increment Bond Principal</u>	<u>Tax Increment Bond Interest</u>
2004	\$ 595,000	\$ 306,000
2005	585,000	322,140
2006	595,000	310,440
2007	605,000	297,350
2008	625,000	282,225
2009 – 2012	2,690,000	925,810
2013 – 2017	<u>3,990,000</u>	<u>526,553</u>
Total	<u>\$9,685,000</u>	<u>\$2,970,721</u>

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2003.

**PIERCE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

Property Coverage

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

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

Financial Position

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

**PIERCE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

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

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

8. TAX INCREMENT FINANCING

On December 31, 2003, the Township reissued a tax increment revenue bond, series 2003, in the amount of \$9,685,000, for constructing and installing additional public improvements within a housing development in the Township. The proceeds of these notes were used to refinance four registered notes issued to fund the tax increment financing (TIF) improvements. The notes commenced maturing in May 2004, and each May and November thereafter, for fourteen years. The interest rate on this note floats based on the market rates every six months. The notes will be repaid from service payments that were assessed and collected by the County on property improvements in the development. The service payments are payments made by the property owners in lieu of real property taxes. The financing and construction activity is handled through a trustee bank and is not reflected on the accompanying financial statements at December 31, 2003 and 2002. The principal balance as of December 31, 2003 is \$9,685,000.



Auditor of State Betty Montgomery

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

Pierce Township
Clermont County
950 Locust Corner Road
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the accompanying financial statements of Pierce Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 5, 2004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the Township in a separate letter dated October 5, 2004.

This report is intended solely for the information and use of 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

October 5, 2004



**Auditor of State
Betty Montgomery**

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**PIERCE TOWNSHIP
CLERMONT 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
NOVEMBER 9, 2004**