



**Auditor of State
Betty Montgomery**

**DEERFIELD TOWNSHIP
MORGAN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Deerfield Township
Morgan County
4350 North Price Rd.
Malta, Ohio 43758

To the Board of Trustees:

We have audited the accompanying financial statements of the Deerfield Township, Morgan 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe 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 of Deerfield Township, Morgan County, 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 September 16, 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.

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Deerfield Township
Morgan County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Board of Trustees 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

September 16, 2004

**DEERFIELD TOWNSHIP
MORGAN COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$16,300	\$3,547	\$	\$19,847
Intergovernmental	13,340	74,798		88,138
Charges for Services		306		306
Earnings on Investments	298	419		717
Other Revenue	423	9,042		9,465
				<hr/>
Total Cash Receipts	30,361	88,112	0	118,473
				<hr/>
Cash Disbursements:				
Current:				
General Government	29,756	378		30,134
Public Safety		2,011		2,011
Public Works		76,105		76,105
Health		1,314		1,314
Debt Service:				
Redemption of Principal		2,300		2,300
Interest and Fiscal Charges		85		85
				<hr/>
Total Cash Disbursements	29,756	82,193	0	111,949
				<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	605	5,919	0	6,524
				<hr/>
Fund Cash Balances, January 1	6,073	14,481	615	21,169
				<hr/>
Fund Cash Balances, December 31	\$6,678	\$20,400	\$615	\$27,693
				<hr/> <hr/>

**DEERFIELD TOWNSHIP
MORGAN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$16,826	\$3,705	\$	\$20,531
Intergovernmental	12,410	60,365		72,775
Charges for Services		166		166
Earnings on Investments	323	485		808
Other Revenue	738	1,363		2,101
Total Cash Receipts	<u>30,297</u>	<u>66,084</u>	<u>0</u>	<u>96,381</u>
Cash Disbursements:				
Current:				
General Government	35,187	74		35,261
Public Safety		1,987		1,987
Public Works		69,292		69,292
Health		2,349		2,349
Redemption of Principal		2,201		2,201
Interest and Fiscal Charges		203		203
Total Cash Disbursements	<u>35,187</u>	<u>76,106</u>		<u>111,293</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(4,890)</u>	<u>(10,022)</u>	<u>0</u>	<u>(14,912)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		4,500		4,500
Sale of Fixed Assets		5,518		5,518
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>10,018</u>	<u>0</u>	<u>10,018</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(4,890)</u>	<u>(4)</u>	<u>0</u>	<u>(4,894)</u>
Fund Cash Balances, January 1	<u>10,963</u>	<u>14,485</u>	<u>615</u>	<u>26,063</u>
Fund Cash Balances, December 31	<u>\$6,073</u>	<u>\$14,481</u>	<u>\$615</u>	<u>\$21,169</u>

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

**DEERFIELD TOWNSHIP
MORGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Deerfield Township, Morgan County (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 and a publicly-elected Clerk. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with Malta/McConnelsville Volunteer Fire Department, to provide fire 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. Fund Accounting

The Township uses fund accounting to segregate cash that is 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:

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

**DEERFIELD TOWNSHIP
MORGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township has the following significant Debt Service Fund:

Note Retirement Fund – This fund includes tax monies received for debt payments in 2002. There was no activity in this fund for 2003.

D. 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

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

E. 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.

**DEERFIELD TOWNSHIP
MORGAN COUNTY**

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

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand Deposits	\$27,693	\$21,169

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,788	\$30,361	\$1,573
Special Revenue	81,035	88,112	7,077
Debt Service	0	0	0
Total	\$109,823	\$118,473	\$8,650

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,861	\$29,756	\$5,105
Special Revenue	87,018	82,193	4,825
Debt Service	614	0	614
Total	\$122,493	\$111,949	\$10,544

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,987	\$30,297	\$1,310
Special Revenue	73,639	76,102	2,463
Debt Service	0	0	0
Total	\$102,626	\$106,399	\$3,773

**DEERFIELD TOWNSHIP
MORGAN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,950	\$35,187	\$4,763
Special Revenue	92,626	76,106	16,520
Debt Service	614	0	614
Total	\$133,190	\$111,293	\$21,897

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.

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

The Township issued \$4,500 of debt in 2002 for the purchase of a road grader. The Township retired its debt obligation in 2003.

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides 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, OPERS 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, 2003.

**DEERFIELD TOWNSHIP
MORGAN 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 in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

**DEERFIELD TOWNSHIP
MORGAN COUNTY**

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

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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.

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
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	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

The Township has elected not to procure a group health insurance plan. However, in accordance with Ohio Revised Code Section 505.60, the Township has opted to reimburse the Clerk and Trustees for their out-of-pocket insurance premiums for allowable insurance coverage provided elsewhere up to a maximum of \$2,250 or \$3,000 per person per year depending on the term of office.



Auditor of State Betty Montgomery

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

Deerfield Township
Morgan County
4350 North Price Rd.
Malta, Ohio 43758

To Board of Trustees:

We have audited the financial statements of Deerfield Township, Morgan County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 16, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit, of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated September 16, 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 do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated September 16, 2004.

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Deerfield Township
Morgan County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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 16, 2004

**DEERFIELD TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Finding Repaid Under Audit

In Deerfield Township, Morgan County, a Resolution adopted at the December 28, 1999 meeting, authorized the reimbursement for out-of-pocket insurance premiums paid by Township officials at a maximum of \$2,250 per year, as authorized under Ohio Revised Code Section 505.601. Ohio Rev.Code Section 505.601 allows a Board of Township Trustees, which does not procure an insurance policy or group health care services as provided in Section 505.60 of the Ohio Revised Code, to reimburse any Township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of Section 505.60 of the Ohio Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustee adopts a resolution that states that the Township has chosen not to procure a health care plan under Section 505.60 of the Ohio Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of Section 505.60 of the Ohio Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the Township will not reimburse the officer or employees.

(C) That resolution states the specific benefits listed in division (A) of Section 505.60 of the Ohio Revised Code for which the Township will reimburse all officers and employees of the Township. The Township may not reimburse officers and employees for benefits other than those listed in division (A) of Section 505.60 of the Ohio Revised Code.

A Resolution adopted at the December 26, 2001 meeting increased the reimbursement maximum to \$3,000 per year. Ohio Constitution, Art. II, Section 20 prohibits elected officials from receiving in-term increases in compensation. Reimbursement for out-of-pocket insurance premiums in excess of the amount authorized by the Township resolution at the time a Township official takes office is considered an in-term increase in compensation.

Terry L. Nelson served as Trustee from January 1, 2000 through December 31, 2003 and, therefore, would be eligible to be reimbursed a maximum of \$2,250 per year for out-of-pocket insurance premiums throughout his term. Terry L. Nelson was reimbursed \$2,586.84 and \$2,463.23 during 2002 and 2003 respectively. Terry L. Nelson repaid the Township in full for his 2003 overpayment and paid \$64 of his 2002 overpayment.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Terry L. Nelson, Deerfield Township Trustee, and his surety, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$272.84, in favor of Deerfield Township, Morgan County's General Fund. Terry Nelson paid \$272.22 to the Deerfield Township, Morgan County, General Fund on August 28, 2004.

**DEERFIELD TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-41058-001	Finding for Recovery – inappropriate in-term increase in compensation of Trustee due to increase in insurance reimbursement	No	Trustee in prior audit repaid the Township.
2001-41058-002	Ohio Rev. Code Section 5705.41(D) – failure to certify funds	No	Partially corrected. We have reissued a citation in the Management Letter.



**Auditor of State
Betty Montgomery**

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DEERFIELD TOWNSHIP

MORGAN 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 16, 2004**