

DEERFIELD TOWNSHIP
WARREN COUNTY
CASH BASIS FINANCIAL STATEMENTS
December 31, 2007



Mary Taylor, CPA
Auditor of State

Board of Trustees
Deerfield Township
4900 Parkway Drive, Suite 150
Mason, Ohio 45040

We have reviewed the *Independent Accountants' Report* of Deerfield Township, Warren County, prepared by Joseph Decosimo and Company, LLC, for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Deerfield Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 24, 2008

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**DEERFIELD TOWNSHIP
WARREN COUNTY, OHIO
DECEMBER 31, 2007**

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INDEPENDENT ACCOUNTANTS' REPORT

Deerfield Township
Warren County
4900 Parkway Drive
Mason, Ohio 45040

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deerfield Township, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

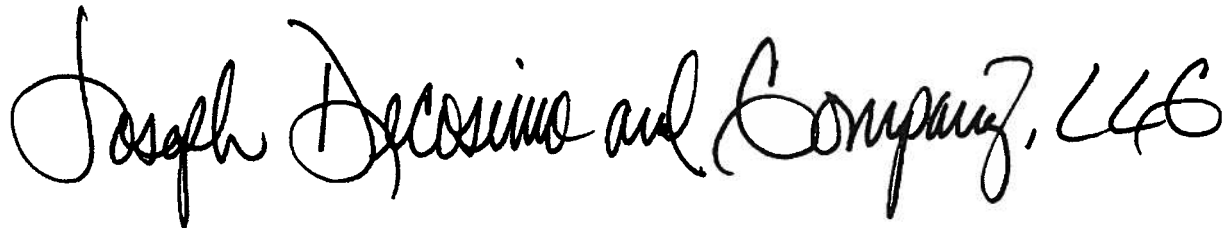
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the 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 opinions.

As discussed in Note 2, Deerfield Township, Ohio, prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Deerfield Township, Ohio, as of December 31, 2007, and the respective changes in financial position-cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2008 on our consideration of Deerfield Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 29 through 34 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Joseph Decosimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
June 18, 2008

**DEERFIELD TOWNSHIP, WARREN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2007
(Unaudited)**

The discussion and analysis of Deerfield Township's (Township) financial performance provides an overall review of the Township's financial activities for the fiscal year ended December 31, 2007. The discussion and analysis is within the limitations of the Township's cash basis accounting. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- Net assets of governmental activities increased \$2,580,040 which represents a 10.91% increase from 2006.
- General receipts accounted for \$45,353,432 in receipts or 96.4% of all receipts. Program specific receipts in the form of charges for services and sales, operating grants and contributions, capital grants and contributions accounted for \$1,697,826 or 3.6% of total receipts of \$47,051,258.
- The Township had \$44,471,218 in cash disbursements related to governmental activities; only \$1,697,826 of these cash disbursements were offset by program specific charges for services, operating grants, capital grants or contributions. General receipts of \$45,353,432 were also used to provide for these programs.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Government's cash basis of accounting.

Report Components

The *Statement of Net Assets and Statement of Activities* provide information about the cash activities of the Township as a whole. Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The *Statement of Net Assets* and the *Statement of Activities* reflect how the Township performed financially during 2007, within the limitations of cash basis accounting. The *Statement of Net Assets* presents the cash balances and investments of the governmental activities of the Township at year-end. The *Statement of Activities* compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, the reader can utilize these statements as one measure of the Township's financial condition. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial condition is improving or deteriorating. When evaluating the Township's financial condition, the reader should also consider other nonfinancial factors as well, such as the condition of the Township's capital assets, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

In the Statement of Net Assets and the Statement of Activities, all of the Township's programs and services are reported as Governmental Activities.

Reporting the Township's Most Significant Funds

Fund financial reports provide detailed information about the Township's major funds. The Township uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Township's major funds.

Governmental Funds -Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using cash basis of accounting. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Township programs.

Fiduciary Funds - The Township maintains a private purpose trust fund (Cemetery Bequest). This activity is excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

The Township as a Whole

Recall that the Statement of Net Assets provides the perspective of the Township as a whole.

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006:

	Governmental Activities	
	2007	2006
Assets		
Equity in Pooled Cash and Investments	\$26,221,371	\$23,641,331
Total Assets	<u>26,221,371</u>	<u>23,641,331</u>
Net Assets		
Restricted for:		
Special Revenue	17,043,449	14,188,998
Debt Service	1,911,625	805,926
Capital Projects	543,743	544,667
Unrestricted	<u>6,722,554</u>	<u>8,101,740</u>
Total Net Assets	<u>\$26,221,371</u>	<u>\$23,641,331</u>

Total assets increased by \$2,580,040. The increase can be attributed to the increase in equity in pooled cash and investments from 2007 township operations.

Table 2 shows the change in net assets for fiscal years 2007 and 2006:

Table 2
Changes in Net Assets

	Governmental Activities	
	2007	2006
Receipts		
Program Receipts:		
Charges for Services and Sales	\$1,695,326	\$2,110,640
Operating Grants and Contributions	2,500	15,000
Capital Grants and Contributions	0	198,137
General Receipts:		
Property Taxes Levied for:		
General Purposes	859,035	1,059,099
Special Purposes	14,941,665	14,343,354
Grants and Entitlements	3,172,502	3,226,978
Earnings on Investments	1,299,689	1,111,175
Sale of Notes	16,280,000	27,346,000
Sale of Bonds	8,770,000	0
Other	30,541	1,393,083
Total Receipts	47,051,258	50,803,466
Cash Disbursements:		
General Government	4,487,434	3,223,536
Payment to Schools	2,083,925	1,994,975
Public Safety	6,191,460	5,927,124
Public Works	2,112,060	1,783,400
Public Health	199,362	219,172
Conservation-Recreation	479,167	605,989
Other	0	33,607
Capital Outlay	1,147,721	14,326,236
Debt Service:		
Principal Retirement	25,661,000	18,062,000
Interest and Fiscal Charges	1,902,536	1,819,347
Administrative Fees	206,553	0
Total Disbursements	44,471,218	47,995,386
Change in Net Assets	2,580,040	2,808,080
Beginning Net Assets	23,641,331	20,833,251
Ending Net Assets	\$26,221,371	\$23,641,331

Governmental Activities

The Township revenues are mainly from two sources. Property taxes and sale of notes comprised 86.8% of the Township's receipts for governmental activities.

The Township cash disbursements are mainly from two sources. General government and debt service comprised 72.5% of the Township's governmental program cash disbursements.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. These services are mainly supported by charges for services and sales.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General Government	(\$4,487,434)	(\$3,223,536)	(\$4,487,434)	(\$3,223,536)
Basic Utility Services	0	0	912,880	811,928
Leisure Time Activities	0	0	26,855	572,087
Payment to Schools	(2,083,925)	(1,994,975)	(2,083,925)	(1,994,975)
Public Safety	(6,191,460)	(5,927,124)	(5,624,800)	(5,239,509)
Public Works	(2,112,060)	(1,783,400)	(2,112,060)	(1,783,400)
Public Health	(199,362)	(219,172)	(7,931)	32,975
Conservation-Recreation	(479,167)	(605,989)	(479,167)	(605,989)
Other	0	(33,607)	0	(33,607)
Capital Outlay	(1,147,721)	(14,326,236)	(1,147,721)	(14,326,236)
Debt Service				
Principal Retirement	(25,661,000)	(18,062,000)	(25,661,000)	(18,062,000)
Interest and Fiscal Charges	(1,902,536)	(1,819,347)	(1,902,536)	(1,819,347)
Administrative Fees	(206,553)	0	(206,553)	0
Total Expenses	<u>(\$44,471,218)</u>	<u>(\$47,995,386)</u>	<u>(\$42,773,392)</u>	<u>(\$45,671,609)</u>

The Township's Funds

The Township has seven major governmental funds: the General Fund, the Police District Fund, the Fire Fund Special Levy, 1998 TIF General Reserve Fund, the 1998 TIF Revenue Fund, 2003B TIF Bond Fund, and the General Bond Note Retirement Fund.

General Fund: Fund balance at December 31, 2007 was \$6,722,554. The net change in fund balance was (\$1,379,186). The decrease in fund balance was a result of the Township's increased disbursements in general government. Total receipts for 2007 fell 5.4%.

Police District Fund: Fund balance at December 31, 2007 was \$1,897,054. The net change in fund balance was \$284,853. The net change in fund balance remained relatively consistent in 2007 as compared to 2006.

Fire Fund Special Levy: Fund balance at December 31, 2007 was \$1,299,700. The net change in fund balance was \$130,572. The net change in fund balance remained relatively consistent in 2007 as compared to 2006.

1998 TIF General Reserve Fund: Fund balance at December 31, 2007 was \$2,674,204. The net change in fund balance was \$2,632,685. The net change in fund balance is the result of a significant increase in other financing sources during 2007.

1998 TIF Revenue Fund: Fund balance at December 31, 2007 was \$4,224,242. The net change in fund balance was (\$484,985). Transfers were made from this fund to support activity in the other TIF funds thus resulting in a reduction to the fund balance.

2003B TIF Bond Fund: Fund balance at December 31, 2007 was \$1,258. The net change in fund balance was \$899. The debt service fund received transfers from another TIF account to cover debt payments during 2007.

General Bond Note Retirement Fund: Fund balance at December 31, 2007 was \$64,188. The net change in fund balance was (\$32,855). The net change in fund balance remained relatively consistent in 2007 as compared to 2006.

General Fund Budgeting Highlights

The Township's Budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The schedules comparing the Township's original and final budgets and actual results are included in the Required Supplementary Information for the General, Police District, Fire Special Levy, 1998 TIF General Reserve, and 1998 TIF Revenue Funds.

During 2007, there were revisions to the General Fund budget. Actual revenues were 2% below the final budget and actual expenditures plus encumbrances were 36% below final budget amounts. The main variances were due to general government expenditures.

Capital Assets and Debt Administration

Capital Assets

The Township does not present capital assets on the cash basis financial statements.

Debt

At December 31, 2007, the Township had \$44,150,000 in debt outstanding. This debt relates to various TIF Bonds, Road Improvement Special Assessment Bonds, and Bond Anticipation Notes. See Note 8 to the basic financial statements for further details.

Economic Outlook

Deerfield Township is located in Warren County and both the County and the Township are among the fastest growing areas in the State of Ohio. The Township is well situated to be economically and financially stable for a number of years.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information see our website www.deerfieldtwp.com or contact the Finance Officer, Deerfield Township.

Deerfield Township
Warren County
Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$26,221,371
<i>Total Assets</i>	\$26,221,371
Net Assets	
Restricted for:	
Special Revenue	\$17,043,449
Debt Service	1,911,625
Capital Projects	543,743
Unrestricted	6,722,554
<i>Total Net Assets</i>	\$26,221,371

See accompanying notes to the basic financial statements

**Deerfield Township
Warren County**
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts			(Disbursements)	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$4,487,434				(\$4,487,434)
Basic Utility Services	0	\$912,880			912,880
Leisure time Activities	0	26,855			26,855
Payment to Schools	2,083,925				(2,083,925)
Public Safety	6,191,460	564,160	\$2,500	\$0	(5,624,800)
Public Works	2,112,060	0			(2,112,060)
Public Health	199,362	191,431			(7,931)
Conservation-Recreation	479,167				(479,167)
Other	0				0
Capital Outlay	1,147,721				(1,147,721)
Debt Service:					
Principal Retirement	25,661,000				(25,661,000)
Interest and Fiscal Charges	1,902,536				(1,902,536)
Administrative Fees	206,553				(206,553)
Total	\$44,471,218	\$1,695,326	\$2,500	\$0	(42,773,392)

General Receipts

Property Taxes Levied for:	
General Purposes	859,035
Special Purposes	14,941,665
Grants and Entitlements Not Restricted	3,172,502
Earnings on Investments	1,299,689
Sale of Notes	16,280,000
Sale of Bonds	8,770,000
Other Receipts	30,541
Total General Receipts	45,353,432
Change in Net Assets	2,580,040
Net Assets Beginning of Year	23,641,331
Net Assets End of Year	\$26,221,371

See accompanying notes to the basic financial statements

Deerfield Township
Warren County
Statement of Cash Basis Assets and Fund Balances
December 31, 2007

	General Fund	Police District Fund	Fire Fund Special Levy Fund	1998 TIF General Reserve	1998 TIF Revenue Fund	2003 TIF Bond Fund	General Bond Note Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets									
Equity in Pooled Cash and Cash Equivalents	\$6,722,554	\$1,897,054	\$1,299,700	\$2,674,204	\$4,224,242	\$1,258	\$64,188	\$9,338,173	\$26,221,373
Total Assets	\$6,722,554	\$1,897,054	\$1,299,700	\$2,674,204	\$4,224,242	\$1,258	\$64,188	\$9,338,173	\$26,221,373
Fund Balances									
Reserved:									
Reserved for Encumbrances									
Unreserved:									
Undesignated (Deficit), Reported in:									\$6,722,554
General fund	\$6,722,554								
Special Revenue Funds		\$1,897,054	\$1,299,700	\$2,674,204	\$4,224,242			\$6,948,250	17,043,450
Debt Service Funds						\$1,258	\$64,188	1,846,178	1,911,624
Capital Projects Funds								543,743	543,743
Total Fund Balances	\$6,722,554	\$1,897,054	\$1,299,700	\$2,674,204	\$4,224,242	\$1,258	\$64,188	\$9,338,171	\$26,221,371

See accompanying notes to the basic financial statements

Deerfield Township
Warren County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Police Fund	Fire Fund Special Levy	1998 TIF General Reserve	1998 TIF Revenue Fund	2003 TIF Bond Fund	General Bond (Note) Retirement
Receipts							
Taxes	\$1,606,144	\$2,120,409	\$3,746,153	\$0	\$6,764,550	\$0	\$0
Charges for Services	445,932	249,760	0	0	0	0	0
Licenses, Permits and Fees	93,528	0	0	0	0	0	0
Earnings on Investments	769,999	0	0	185,989	88,199	295	0
Fines and Forfeitures	101,760	0	0	0	0	0	0
Intergovernmental Receipts	859,878	205,283	376,187	0	0	0	0
Special Assessment	0	0	0	0	0	0	0
Other Receipts	93,525	0	0	55,602	0	0	0
Total Receipts	3,970,766	2,575,452	4,122,340	241,591	6,852,749	295	0
Disbursements							
Current:							
General Government	4,487,434	0	0	0	0	0	0
Payments to Schools	0	0	0	2,083,925	0	0	0
Public Safety	0	2,038,257	3,713,806	0	0	0	0
Public Works	11,858	0	0	0	0	0	0
Public Health	23,551	0	0	0	0	0	0
Conservation - Recreation	52,553	0	0	0	0	0	0
Capital Outlay	1,980	252,342	52,599	154,915	0	0	0
Debt Service:							
Principal	0	0	0	0	0	4,495,000	16,566,000
Interest and Fiscal Charges	0	0	0	0	0	168,329	600,993
Administrative Fees	0	0	0	97,868	4,693	15	32,855
Total Disbursements	4,577,376	2,290,599	3,766,405	2,336,708	4,693	4,663,344	17,199,848
Excess of Receipts Over (Under) Disbursements	(606,610)	284,853	355,935	(2,095,117)	6,848,056	(4,663,049)	(17,199,848)
Other Financing Sources (Uses)							
Advances In	214,000	0	214,000	0	0	0	0
Advances Out	(214,000)	0	(214,000)	0	0	0	0
Sale of Bonds	0	0	0	0	0	0	0
Sale of Notes	0	0	0	0	0	0	16,280,000
Other Financing Uses	0	0	0	0	0	0	(110,946)
Transfers In	0	0	0	4,727,802	0	4,663,948	997,939
Transfers Out	(772,576)	0	(225,363)	0	(7,333,041)	0	0
Total Other Financing Sources (Uses)	(772,576)	0	(225,363)	4,727,802	(7,333,041)	4,663,948	17,166,993
Net Change in Fund Balances	(1,379,186)	284,853	130,572	2,632,685	(484,985)	899	(32,855)
Fund Balances Beginning of Year	8,101,740	1,612,201	1,169,128	41,519	4,709,227	359	97,043
Fund Balances End of Year	\$6,722,554	\$1,897,054	\$1,299,700	\$2,674,204	\$4,224,242	\$1,258	\$64,188

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$2,436,583	\$16,673,839
387,446	1,083,138
0	93,528
255,207	1,299,689
0	101,760
412,371	1,853,719
646,760	646,760
312,499	461,626
<u>4,450,866</u>	<u>22,214,059</u>
0	4,487,434
0	2,083,925
439,397	6,191,460
2,100,202	2,112,060
175,811	199,362
426,614	479,167
685,885	1,147,721
4,600,000	25,661,000
1,133,214	1,902,536
71,122	206,553
<u>9,632,245</u>	<u>44,471,218</u>
<u>(5,181,379)</u>	<u>(22,257,159)</u>
0	428,000
0	(428,000)
8,770,000	8,770,000
0	16,280,000
(101,855)	(212,801)
23,330,977	33,720,666
<u>(25,389,686)</u>	<u>(33,720,666)</u>
<u>6,609,436</u>	<u>24,837,199</u>
1,428,057	2,580,040
<u>7,910,114</u>	<u>23,641,331</u>
<u>\$9,338,171</u>	<u>\$26,221,371</u>

Deerfield Township
Warren County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2007

	Private Purpose Trust
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$27,990</u>
<i>Total Assets</i>	<u><u>\$27,990</u></u>
Net Assets	
Unrestricted	<u>\$27,990</u>
<i>Total Net Assets</i>	<u><u>\$27,990</u></u>

See accompanying notes to the basic financial statements

Deerfield Township
Warren County
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2007

	Private Purpose Trust
Additions:	
Earnings on Investments	\$72
<i>Total Additions</i>	<i>72</i>
Deductions:	
Public Health and Welfare	385
<i>Total Deductions</i>	<i>385</i>
Change in Net Assets	(313)
<i>Net Assets Beginning of Year</i>	<i>28,303</i>
<i>Net Assets End of Year</i>	<i>\$27,990</i>

See accompanying notes to the basic financial statements.

**Deerfield Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2007**

Note 1 – Reporting Entity

Deerfield Township, Warren County, Ohio (the Township), is a body politic and corporate 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 also has an elected Fiscal Officer.

The Township provides for general government services, road & bridge maintenance, cemetery services, fire protection, emergency medical services and parks and recreational services. The Township contracts with the Warren County Sheriff's Department for police protection.

The primary government consists of all departments, board, and agencies that are not legally separate from the Township.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its governmental activities. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities. Also presented are fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. Funds may be categorized as governmental, proprietary, or fiduciary. The funds of the Township are all considered governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. Governmental funds focus on the sources, uses, and balances of current financial resources.

The Township's major governmental funds are:

General Fund – This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose, provided that it is expended or transferred according to the general laws of Ohio.

Police District Fund – This fund received the tax monies which are used to pay for police protection 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 fire fighters and paramedics.

1998 TIF General Reserve Fund – This is the general reserve fund for all TIF issues.

1998 TIF Revenue Fund – This is the Revenue fund for the TIF program. All TIF revenue flows from the Township into this account and then out to the various bond accounts to pay debt service.

2003 TIF Bond Fund – This includes the 2003 bond issues which were paid off in the 4th quarter of 2007.

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

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of utilizing the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Pooled Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest receipts are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. The total of interest receipts credited to the General Fund during 2007 was \$769,999.

E. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

F. Capital Assets

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

G. Interfund Receivables and Payables

The Township reports advances-in and advances-out for interfund loans.

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Note 6 and Note 7, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislations or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for debt service and for state grants reported in special revenue funds.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from a fund responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Township's bank balance of \$27,234,969 was exposed to custodial credit risk because all deposits were either covered by insurance from the Federal Deposit Insurance Corporation or by collateral held by an agent in the Township's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

B. Investments

As of December 31, 2007, the Township had no investments.

Note 4 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2005 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed value of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based was \$1,070,129,855.

Note 5 – Risk Management

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.

Note 6 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 17.17 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's contributions for pension obligations to all plans for the years ended December 31, 2007, 2006, and 2005 combined were \$296,975, \$325,296, and \$241,320 respectively. The full amount has been contributed for 2007, 2006, and 2005.

B. Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215 - 5164.

Firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the Township is required to contribute 24.0 percent. The Township's contributions to the OP&F for the years ending December 31, 2007, 2006 and 2005 were \$446,200, \$455,902, and \$386,852, respectively. The full amount has been contributed for 2006 and 2005 and 70% has been contributed for 2007.

Note 7 – Post-employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement); 5.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 374,979 at December 31, 2006, the date of the latest actuarial review. Actual employer contributions for 2007 which were used to fund post-employment benefits were \$117,930. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, 2007, and 2008 which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution for firefighters is 24 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the postemployment health care program during the current year. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for the current year that were used to fund postemployment benefits were \$125,382. The OP&F's total health care expenses for the year ended December 31, 2006, the date of the last actuarial valuation available were \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

Note 8 – Debt

A. Short-Term Debt

The Township’s short-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance 12/31/06	Additions	Reductions	Balance 12/31/07
Township Various BAN - Series 2004 (2006A) Renewal	3.61%	\$13,255,000	\$0	\$13,255,000	\$0
Township Park Land Acquisition BANs - Series 2004 (2006B) Renewal	3.75%	3,311,000	0	3,311,000	0
Bond Anticipation Notes, Series 2007	3.45%	0	16,280,000	0	16,280,000
Total		\$16,566,000	\$16,280,000	\$16,566,000	\$16,280,000

B. Long-Term Debt

The Township’s long term debt activity for the year ended December 31, 2007, was as follows:

Governmental Activities	Interest Rate	Balance 12/31/06	Additions	Reductions	Balance 12/31/07	Due Within One Year
Variable Rate Subordinate Tax Increment Revenue Notes, Series 2003B	2.40%	\$4,495,000	\$0	\$4,495,000	\$0	\$0
Variable Rate Subordinate Tax Increment Revenue Notes, Series 2003A	2.40%	3,460,000		3,460,000	0	\$0
Tax Increment Revenue Notes, Series 2001B	4.73%	11,350,000	0	395,000	10,955,000	410,000
Tax Increment Revenue Notes, Series 1998	4.50%	7,630,000	0	300,000	7,330,000	315,000
Tax Increment Revenue Notes, 2007	4.74%	0	8,770,000	315,000	8,455,000	260,000
Long-term Road Improvement Special Assessment Bonds	3.78%	670,000	0	75,000	595,000	75,000
Long-term Road Improvement Special Assessment Bonds	3.83%	590,000	0	55,000	535,000	60,000
Total		\$28,195,000	\$8,770,000	\$9,095,000	\$27,870,000	\$1,120,000

The general obligation bonds are supported by the full faith and credit of the Township and are payable from un-voted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements:

Year Ending December 31,	Tax Increment Revenue Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2008	\$985,000	\$1,281,740	\$135,000	\$45,867
2009	1,030,000	1,240,906	140,000	41,330
2010	1,070,000	1,197,443	145,000	36,430
2011	1,120,000	1,148,757	150,000	30,955
2012	1,170,000	1,100,567	155,000	24,700
2013-2017	6,710,000	4,634,232	405,000	31,800
2018-2022	8,475,000	2,864,373	0	0
2023-2025	6,180,000	628,806	0	0
Totals	<u>\$26,740,000</u>	<u>\$14,096,824</u>	<u>\$1,130,000</u>	<u>\$211,082</u>

Note 9 – Interfund Transfers

During 2007 the following transfers were made:

	Transfer In	Transfer Out
General	\$0	(\$772,576)
Fire	0	(225,363)
1998 TIF General Reserve	4,727,802	0
1998 TIF Revenue	0	(7,333,041)
2003 TIF Bond Fund	4,663,948	0
General Bond Retirement	997,939	0
Other Nonmajor Funds	23,330,977	(25,389,686)
Total Transfers in All Funds	<u>\$33,720,666</u>	<u>(\$33,720,666)</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

REQUIRED SUPPLEMENTARY INFORMATION

**Deerfield Township, Warren County
Schedule of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For Fiscal Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance from Final Budget
RECEIPTS				
Taxes	\$1,600,000	\$1,605,000	\$1,606,144	\$1,144
Licenses, Permits, and Fees	535,000	539,000	539,460	460
Earnings on Investments	765,000	769,000	769,999	999
Fines and Forfeitures	100,000	101,000	101,760	760
Intergovernmental Receipts	850,000	855,000	859,878	4,878
Other Receipts	93,000	93,000	93,525	525
TOTAL RECEIPTS	3,943,000	3,962,000	3,970,766	8,766
DISBURSEMENTS				
General Government	10,111,303	10,234,357	6,617,167	3,617,190
Public Works	15,649	15,649	11,858	3,791
Health	72,000	72,000	23,551	48,449
Conservation - Recreation	66,933	133,867	52,553	81,314
Capital Outlay	13,727	16,172	1,980	14,192
TOTAL DISBURSEMENTS	10,279,612	10,472,045	6,707,109	3,764,936
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,336,612)	(6,510,045)	(2,736,343)	3,773,702
OTHER FINANCING SOURCES (USES)				
Advances - In	0	0	214,000	214,000
Advances (Out)	0	0	(214,000)	(214,000)
Other Expenses - Debt Retirement	(797,976)	(797,976)	(772,576)	25,400
Year End Carryover	(837,358)	(837,358)	0	837,358
TOTAL OTHER FINANCING SOURCES (USES)	(1,635,334)	(1,635,334)	(772,576)	862,758
Net Change in Fund Balance	(7,971,946)	(8,145,379)	(3,508,919)	4,636,460
Fund Balance Beginning of Year	5,443,368	5,443,368	5,443,368	0
Prior Year Encumbrances Appropriated	57,038	57,038	0	(57,038)
Fund Balance End of Year	(\$2,471,540)	(\$2,644,973)	\$1,934,449	\$4,579,422

See accompanying notes to the required supplementary information.

Deerfield Township, Warren County
Schedule of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Police Fund
For Fiscal Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
RECEIPTS				
Taxes	\$2,050,000	\$2,110,000	\$2,120,409	\$10,409
Charges for Services	210,000	240,000	249,760	9,760
Intergovernmental Receipts	200,000	205,000	205,283	283
TOTAL RECEIPTS	2,460,000	2,555,000	2,575,452	20,452
DISBURSEMENTS				
Public Safety	3,682,955	3,726,122	2,063,907	1,662,215
Capital Outlay	170,040	177,945	252,342	(74,397)
TOTAL DISBURSEMENTS	3,852,995	3,904,067	2,316,249	1,587,818
Net Change in Fund Balance	(1,392,995)	(1,349,067)	259,203	1,608,270
Fund Balance Beginning of Year	1,491,128	1,491,128	1,491,128	0
Prior Year Encumbrances Appropriated	9,040	9,040	0	(9,040)
Fund Balance End of Year	\$107,173	\$151,101	\$1,750,331	\$1,599,230

See accompanying notes to the required supplementary information.

**Deerfield Township, Warren County
Schedule of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Fire Fund Special Levy
For Fiscal Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance from Final Budget
RECEIPTS				
Taxes	\$3,725,000	\$3,740,000	\$3,746,153	\$6,153
Intergovernmental Receipts	370,000	375,000	376,187	1,187
TOTAL RECEIPTS	4,095,000	4,115,000	4,122,340	7,340
DISBURSEMENTS				
Public Safety	4,934,819	4,999,233	3,780,613	1,218,620
Capital Outlay	50,396	61,034	52,599	8,435
TOTAL DISBURSEMENTS	4,985,215	5,060,267	3,833,212	1,227,055
EXCESS OF RECEIPTS OVER DISBURSEMENTS	(890,215)	(945,267)	289,128	1,234,395
OTHER FINANCING SOURCES (USES)				
Advances - In	0	0	214,000	214,000
Advances Out	0	0	(214,000)	(214,000)
Debt Retirement - Fire	(225,363)	(225,363)	(225,363)	0
OTHER FINANCING SOURCES (USES)	(225,363)	(225,363)	(225,363)	0
Net Change in Fund Balance	(1,115,578)	(1,170,630)	63,765	1,234,395
Fund Balance Beginning of Year	1,094,075	1,094,075	1,094,075	0
Prior Year Encumbrances Appropriated	3,520	3,520	0	(3,520)
Fund Balance End of Year	(\$17,983)	(\$73,035)	\$1,157,840	\$1,230,875

See accompanying notes to the required supplementary information.

**Deerfield Township, Warren County
Schedule of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
1998 TIF General Reserve Fund
For Fiscal Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
RECEIPTS				
Earnings on Investments	175,000	185,000	185,989	989
Other Receipts	50,000	55,000	55,602	602
TOTAL RECEIPTS	<u>225,000</u>	<u>240,000</u>	<u>241,591</u>	<u>1,591</u>
DISBURSEMENTS				
Payments to Schools	2,080,000	2,080,000	2,083,925	(3,925)
Capital Outlay	150,000	150,000	154,915	(4,915)
Debt Service:				
Principal	72,500	72,500	72,807	(307)
Admin Fees	25,000	25,000	25,061	(61)
TOTAL DISBURSEMENTS	<u>2,327,500</u>	<u>2,327,500</u>	<u>2,336,708</u>	<u>(9,208)</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(2,102,500)</u>	<u>(2,087,500)</u>	<u>(2,095,117)</u>	<u>(7,617)</u>
OTHER FINANCING SOURCES (USES)				
Transfers-in	4,725,000	4,725,000	4,727,802	2,802
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,725,000</u>	<u>4,725,000</u>	<u>4,727,802</u>	<u>2,802</u>
Net Change in Fund Balance	<u>2,622,500</u>	<u>2,637,500</u>	<u>2,632,685</u>	<u>(4,815)</u>
Fund Balance Beginning of Year	41,519	41,519	41,519	0
Fund Balance End of Year	<u>\$2,664,019</u>	<u>\$2,679,019</u>	<u>\$2,674,204</u>	<u>(\$4,815)</u>

See accompanying notes to the required supplementary information.

**Deerfield Township, Warren County
Schedule of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
1998 TIF Revenue Fund
For Fiscal Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance from Final Budget
RECEIPTS				
Taxes	\$6,500,000	\$6,760,000	\$6,764,550	\$4,550
Earnings on Investments	80,000	88,000	88,199	199
TOTAL RECEIPTS	6,580,000	6,848,000	6,852,749	4,749
DISBURSEMENTS				
Debt Service:				
Admin Fees	4,500	4,500	4,694	(194)
TOTAL DISBURSEMENTS	4,500	4,500	4,694	(194)
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	6,575,500	6,843,500	6,848,055	4,555
OTHER FINANCING SOURCES (USES)				
Transfers-Out	(7,333,040)	(7,333,040)	(7,333,041)	(1)
TOTAL OTHER FINANCING SOURCES (USES)	(7,333,040)	(7,333,040)	(7,333,041)	(1)
Net Change in Fund Balance	(757,540)	(489,540)	(484,986)	4,554
Fund Balance Beginning of Year	4,709,226	4,709,226	4,709,226	0
Fund Balance End of Year	\$3,951,686	\$4,219,686	\$4,224,240	\$4,554

See accompanying notes to the required supplementary information.

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate. The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

While the Township is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund, police district, fire fund special levy, 1998 TIF General Reserve and 1998 TIF Revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

- * Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the general fund, police district, fire fund special levy, 1998 TIF General Reserve and 1998 TIF Revenue funds.

	Net Change in Fund Balance				
	General	Police District	Fire Fund Special Levy	1998 TIF General Reserve	1998 TIF Revenue
Cash Basis	(\$1,379,186)	\$284,853	\$130,572	\$2,632,685	(\$484,986)
Encumbrances	(2,129,733)	(25,650)	(66,807)	0	0
Budget Basis	(\$3,508,919)	\$259,203	\$63,765	\$2,632,685	(\$484,986)

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance With *Government Auditing
Standards***

Deerfield Township
Warren County
4900 Parkway Drive, Suite 150
Mason, Ohio 45040

We have audited the financial statements of Deerfield Township as of and for the year ended December 31, 2007, and have issued our report thereon dated June 18, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Deerfield Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Deerfield Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider findings 2007-001 and 2007-002 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding 2007-001 to be a material weakness.

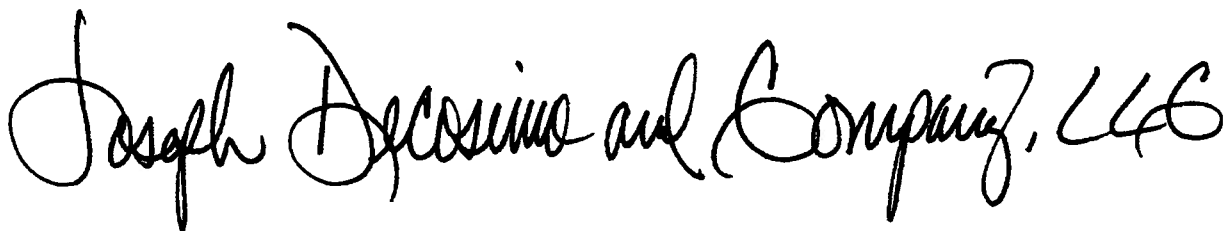
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Deerfield Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings 2007-003 and 2007-004.

We noted certain matters that we reported to management of Deerfield Township in a separate letter dated June 18, 2008.

Deerfield Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Deerfield Township's response and, accordingly, we express no opinion on it.

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 "Joseph Decosimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
June 18, 2008

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

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

FINDING NUMBER 2007-001

Significant Deficiency/Material Weakness – Material Audit Adjustments Related to Debt

In the process of performing our audit, we noted a lack of accuracy, review and reconciliation related to accounting for the debt of the Township. This led to material reclassifications of amounts disbursed for principal and interest on the debt as well as reclassification of amounts from the general fund to the debt service fund.

We recommend that the Township assign well-trained personnel to accurately post debt disbursements and perform monthly debt reconciliations to ensure that debt transactions are accurately accounted for.

Management Response:

We concur with the comments and recommendations. The Township is currently addressing the issues listed.

FINDING NUMBER 2007-002

Significant Deficiency – Segregation of Duties

The objective of internal control over cash receipts and cash disbursements is to maintain control over cash received and cash disbursed. To achieve this control, more than one member of personnel should handle certain duties involving cash receipts and cash disbursements. Our audit revealed a general lack of segregation of duties within the cash receipts and cash disbursements areas. This situation allows for a breakdown in controls and the potential for misappropriation of assets to occur and not be detected within a reasonable amount of time.

We feel that separating the following closely related functions in the cash receipts and cash disbursements systems will result in much greater internal control in these particular areas:

- With respect to cash receipts, one employee should open the mail, make a control list of all receipts, and restrictively endorse all items received.
- The receipts should then go to another employee for further processing and deposit to the bank on a timely basis.
- Then, someone who does not otherwise handle receipts should compare the deposit slips to the list of receipts to ensure that all funds reflected on list of receipts were deposited.
- With respect to cash disbursements, the same employee should not have access to the check stock,

the signature machine and signature stamp and the general ledger.

Management Response:

We concur with the comments and recommendations. The Township is currently addressing the issues listed.

FINDING NUMBER 2007-003

Noncompliance Citation – Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total estimated resources.

Contrary to the requirements of Section 5705.39, the Township appropriated amounts exceeding estimated resources in the following funds:

Fund	Amount by which appropriations exceeded estimated resources
General	\$ 2,658,372
Road and Bridge	\$ 101,584
Police District	\$ 51,072
Park	\$ 353,192
Fire Special Levy	\$ 75,053
Permissive Motor Vehicle License Tax	\$ 46,000
Ambulance and EMS	\$ 29,248

Management Response:

We concur with these findings. The Township is currently addressing the issues listed.

FINDING NUMBER 2007-004

Noncompliance Citation – Failure to Properly Encumber

Ohio Revised Code Section 5705.41(D) provides that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

Contrary to the requirements of Section 5705.41(D), the Township expended amounts without encumbering in the special assessment lighting district fund.

Management Response:

We concur with the finding. The Township is currently addressing the issues listed.

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2006-001	Significant Deficiency/Material Weakness – Material Audit Adjustments Related to Debt	No	Not Corrected, reissued as finding number 2007-001
2006-002	Significant Deficiency – Segregation of Duties Over Cash Receipts	No	Not Corrected, reissued as finding number 2007-002
2006-003	Noncompliance Citation – Appropriations Exceeding Estimated Resources	No	Not Corrected, reissued as finding number 2007-003
2006-004	Noncompliance Citation – Expenditures Exceeding Appropriations	Yes	Corrected
2006-005	Noncompliance Citation – Failure to Properly Encumber	No	Not Corrected, reissued as finding number 2007-004



Mary Taylor, CPA
Auditor of State

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
AUGUST 5, 2008**