

DEERFIELD TOWNSHIP
WARREN COUNTY
CASH BASIS FINANCIAL STATEMENTS
December 31, 2005



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, 2005 through December 31, 2005. 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

This Page is Intentionally Left Blank.

**DEERFIELD TOWNSHIP
WARREN COUNTY, OHIO
December 31, 2005**

Table of Contents

Independent Accountant's Report	1/2
Management's Discussion and Analysis	3/8
Statement of Net Assets - Cash Basis	9
Statement of Activities - Cash Basis	10
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds	11
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis - Governmental Funds	12
Statement of Fiduciary Net Assets - Cash Basis - Fiduciary Fund	13
Statement of Changes in Fiduciary Net Assets - Cash Basis - Fiduciary Fund	14
Notes to the Financial Statements	15/27
 Required Supplementary Information:	
Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund	29
Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - Police District Fund	30
Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - Fire Fund Special Levy	31
Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - 1998 TIF General Reserve Fund	32
Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - 1998 TIF Revenue Fund	33
Notes to the Required Supplementary Information	34
 Independent Accountant's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
Schedule of Findings and Responses	35/36
Schedule of Prior Audit Findings	37/39
	40

This Page is Intentionally Left Blank.

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, 2005, 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.

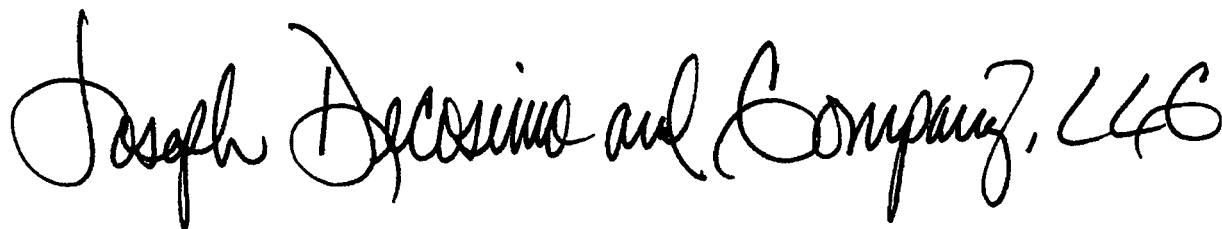
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2005, 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 Decossimo 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, 2005
(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, 2005. 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 2005 are as follows:

- Net assets of governmental activities increased by \$996,514 which represents a 5.02% increase from 2004.
- General receipts accounted for \$23,306,156 in receipts or 93.5% 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 \$1,616,631 or 6.5% of total receipts of \$24,922,787.
- The Township had \$23,926,273 in cash disbursements related to governmental activities; only \$1,616,631 of these cash disbursements were offset by program specific charges for services, operating grants, capital grants or contributions. General receipts of \$22,309,642 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 2005, 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 2005 and 2004:

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Equity in Pooled Cash and Investments	\$20,833,251	\$19,865,364
Total Assets	<u>\$20,833,251</u>	<u>\$19,865,364</u>
Net Assets		
Restricted for:		
Special Revenue	\$11,941,629	\$10,474,401
Debt Service	1,026,300	1,183,982
Capital Projects	1,482,254	2,612,775
Unrestricted	<u>6,383,068</u>	<u>5,594,206</u>
Total Net Assets	<u>\$20,833,251</u>	<u>\$19,865,364</u>

Table 2 shows the change in net assets for fiscal year 2005. Since this is the first year the Township has prepared modified cash financial statements, receipt and disbursement comparisons to 2004 are not available. In future years, when prior year information is available, a comparative analysis of entity-wide data will be presented

Table 2
Changes in Net Assets

	Governmental Activities 2005
Receipts	
Program Receipts:	
Charges for Services and Sales	\$1,475,960
Operating Grants and Contributions	40,465
Capital Grants and Contributions	100,206
General Receipts:	
Property Taxes Levied for:	
General Purposes	661,655
Special Purposes	11,022,136
Grants and Entitlements	3,601,618
Earnings on Investments	572,545
Sale of Notes	6,197,000
Sale of Bonds	640,000
Other	611,202
Total Receipts	<u>24,922,787</u>
Cash Disbursements:	
General Government	2,139,856
Payment to Schools	2,392,272
Public Safety	5,497,718
Public Works	1,803,545
Public Health	205,061
Conservation-Recreation	234,692
Other	24,452
Capital Outlay	2,662,435
Debt Service:	
Principal Retirement	7,569,600
Interest and Fiscal Charges	1,382,454
Issuance Cost	14,188
Total Disbursements	<u>23,926,273</u>
Change in Net Assets	996,514
Beginning Net Assets	<u>19,836,737</u>
Ending Net Assets	<u><u>\$20,833,251</u></u>

Governmental Activities

The Township revenues are mainly from two sources. Property taxes and sale of notes comprised 79% of the Township’s receipts for governmental activities.

The Township cash disbursements are mainly from two sources. Public safety and debt service comprised 60.5% 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
	<u>2005</u>	<u>2005</u>
General Government	(\$2,139,856)	(\$2,139,856)
Basic Utility Services	0	843,880
Leisure Time Activities	0	8,556
Payment to Schools	(2,392,272)	(2,392,272)
Public Safety	(5,497,718)	(4,900,948)
Public Works	(1,803,545)	(1,803,545)
Public Health	(205,061)	(37,636)
Conservation-Recreation	(234,692)	(234,692)
Other	(24,452)	(24,452)
Capital Outlay	(2,662,435)	(2,662,435)
Debt Service		
Principal Retirement	(7,569,600)	(7,569,600)
Interest and Fiscal Charges	(1,382,454)	(1,382,454)
Issuance Cost	(14,188)	(14,188)
	<u>(14,188)</u>	<u>(14,188)</u>
Total Expenses	<u>(\$23,926,273)</u>	<u>(\$22,309,642)</u>

The Township’s Funds

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

General Fund: Fund balance at December 31, 2005 was \$6,383,068. The net change in fund balance was \$817,490. The increase in fund balance was a result of the Township’s strong growth.

Police District Fund: Fund balance at December 31, 2005 was \$1,201,961. The net change in fund balance was \$501,847. Tax receipts collected provide more than adequate support for police activity.

Fire Fund Special Levy: Fund balance at December 31, 2005 was \$1,303,120. The net change in fund balance was \$36,703. The spending related to Fire Safety services resulted in this mild change to the fund balance.

1998 TIF General Reserve Fund: Fund balance at December 31, 2005 was \$2,273,657. The net change in fund balance was \$1,630,830 due to a significant increase in tax incentive financing (TIF) activity during 2005.

1998 TIF Revenue Fund: Fund balance at December 31, 2005 was \$747,402. The net change in fund balance was (\$1,402,142). Transfers were made from this fund to support activity in the other TIF funds thus resulting in a reduction to the fund balance.

General Bond Note Retirement Fund: Fund balance at December 31, 2005 was \$53,545. The net change in fund balance was \$15,008. The spending related to General Bond Note Retirement resulted in this mild change to the fund balance.

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 2005, there were revisions to the General Fund budget. Actual revenues were 58% over the final budget and actual expenditures plus encumbrances were 51% over final budget amounts. The main variances were due to capital 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, 2005, the Township had \$35,477,000 in debt outstanding. This debt relates to various TIF Bonds, Road Improvement Bonds, and Bond Anticipation Notes. See Note 9 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.deerfieldtp.com or contact the Finance Officer, Deerfield Township.

Deerfield Township
Warren County
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$20,833,251</u>
Total Assets	<u><u>\$20,833,251</u></u>
Net Assets	
Restricted for:	
Special Revenue	\$11,941,629
Debt Service	1,026,300
Capital Projects	1,482,254
Unrestricted	<u>6,383,068</u>
Total Net Assets	<u><u>\$20,833,251</u></u>

See accompanying notes to the basic financial statements

Deerfield Township
Warren County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General Fund	Police District Fund	Fire Fund Special Levy Fund	1998 TIF General Reserve	1998 TIF Revenue Fund	General Bond (Note) Retirement	Other Governmental Funds	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$6,383,068	\$1,201,961	\$1,303,120	\$2,273,657	\$747,402	\$53,545	\$8,870,498	\$20,833,251
Total Assets	\$6,383,068	\$1,201,961	\$1,303,120	\$2,273,657	\$747,402	\$53,545	\$8,870,498	\$20,833,251
Fund Balances								
Unreserved:								
Undesignated, Reported in:								
General fund	\$6,383,068							\$6,383,068
Special Revenue Funds		\$1,201,961	\$1,303,120	\$2,273,657	\$747,402		\$6,415,489	11,941,629
Debt Service Funds						\$53,545	972,755	1,026,300
Capital Projects Funds							1,482,254	1,482,254
Total Fund Balances	\$6,383,068	\$1,201,961	\$1,303,120	\$2,273,657	\$747,402	\$53,545	\$8,870,498	\$20,833,251

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, 2005

	General	Police Fund	Fire Fund Special Levy	1998 TIF General Reserve	1998 TIF Revenue Fund	General Bond (Note) Retirement	Other Governmental Funds	Total Governmental Funds
Receipts								
Taxes	\$1,397,899	\$1,888,030	\$3,330,337	\$0	\$3,936,650	\$0	\$1,942,262	\$12,495,178
Charges for Services	448,436	0	0	0	0	0	702,998	1,151,434
Licenses, Permits and Fees	144,048	207,542	0	0	0	0	0	351,590
Earnings on Investments	360,615	0	0	56,719	20,659	0	134,552	572,545
Fines and Forfeitures	187,368	0	0	0	0	0	0	187,368
Intergovernmental Receipts	800,969	227,853	510,344	0	399,794	0	503,902	2,442,862
Special Assessment	0	0	0	0	0	0	90,202	90,202
Other Receipts	419,091	0	0	20,323	0	0	199,885	639,299
Total Receipts	3,758,426	2,323,425	3,840,681	77,042	4,357,103	0	3,573,801	17,930,478
Disbursements								
Current:								
General Government	2,139,856	0	0	0	0	0	0	2,139,856
Payments to Schools	0	0	0	0	2,392,272	0	0	2,392,272
Public Safety	0	1,736,174	3,519,757	0	0	0	241,787	5,497,718
Public Works	14,550	0	0	0	0	0	1,788,995	1,803,545
Public Health	24,770	0	0	0	0	0	180,291	205,061
Conservation - Recreation	0	0	0	0	0	0	234,692	234,692
Other Disbursements	0	0	0	0	0	0	24,452	24,452
Capital Outlay	6,647	85,404	75,803	12,538	0	0	2,482,043	2,662,435
Debt Service:								
Principal	0	0	0	0	0	6,864,600	705,000	7,569,600
Interest and Fiscal Charges	0	0	0	0	0	188,252	1,194,202	1,382,454
Admin Fees	0	0	0	7,884	2,832	0	3,472	14,188
Total Disbursements	2,185,823	1,821,578	3,595,560	20,422	2,395,104	7,052,852	6,854,934	23,926,273
Excess of Receipts Over (Under) Disbursements	1,572,603	501,847	245,121	56,620	1,961,999	(7,052,852)	(3,281,133)	(5,995,795)
Other Financing Sources (Uses)								
Advances In	150,000	150,000	0	0	0	0	0	300,000
Advances Out	(150,000)	(150,000)	0	0	0	0	0	(300,000)
Sale of Notes	0	0	0	0	0	6,197,000	0	6,197,000
Sale of Bonds	0	0	0	0	0	0	640,000	640,000
Sale of Fixed Assets	0	0	0	0	0	0	435,195	435,195
Other Financing Sources	0	0	0	0	0	15,008	0	15,008
Other Financing Uses	(107,679)	0	0	0	0	0	(187,215)	(294,894)
Transfers In	0	0	0	2,149,544	896,432	855,852	2,498,148	6,399,976
Transfers Out	(647,434)	0	(208,418)	(575,334)	(4,260,573)	0	(708,217)	(6,399,976)
Total Other Financing Sources (Uses)	(755,113)	0	(208,418)	1,574,210	(3,364,141)	7,067,860	2,677,911	6,992,309
Net Change in Fund Balances	817,490	501,847	36,703	1,630,830	(1,402,142)	15,008	(603,222)	996,514
Fund Balances Beginning of Year	5,565,578	700,114	1,266,417	642,827	2,149,544	38,537	9,473,720	19,836,737
Fund Balances End of Year	\$6,383,068	\$1,201,961	\$1,303,120	\$2,273,657	\$747,402	\$53,545	\$8,870,498	\$20,833,251

See accompanying notes to the basic financial statements

Deerfield Township
Warren County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2005

	Private Purpose Trust
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$28,476</u>
Total Assets	<u><u>\$28,476</u></u>
Net Assets	
Restricted for:	
Unrestricted	<u>\$28,476</u>
Total Net Assets	<u><u>\$28,476</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, 2005

	Private Purpose Trust
Additions:	
Earnings on Investments	\$235
<i>Total Additions</i>	<i>235</i>
Deductions:	
Public Health and Welfare	385
<i>Total Deductions</i>	<i>385</i>
Change in Net Assets	(150)
<i>Net Assets Beginning of Year</i>	<i>28,626</i>
<i>Net Assets End of Year</i>	<i>\$28,476</i>

See accompanying notes to the basic financial statements.

**Deerfield Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

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 are 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 receives 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 – This is the General Reserve account for the entire TIF program (all Deerfield TIF bond issues). Any excess funds in this account can be used to pay TIF-related expenses per the Trust Indenture.

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.

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 2005 was \$360,615.

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 7 and Note 8, 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. During 2005, the Township did not issue any debt.

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 funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

In prior years the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting as described in Note 2C. The Township's fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. Also, the financial statements now include management's discussion and analysis.

Note 4 – 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 (STAR Ohio).

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 \$20,577,543 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 at 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, 2005, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
US Treasury/Agency Securities	<u>\$981,486</u>	Less than 1 year
Total Fair Value	<u>\$981,486</u>	
Portfolio Weighted Average Maturity		

Interest rate risk - In accordance with the investment policy, the Township manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the Township’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The Township’s investments in Freddie Mac were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service.

Concentration of credit risk – The Township’s investment policy allows investments in Federal Agencies or Instrumentalities. The Township has invested 100% of the Township’s investments in Freddie Mac.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Township’s securities are either insured and registered in the name of the Township or at least registered in the name of the Township.

Note 5 – 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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 2005 property tax receipts were based was \$849,754,830.

Note 6 – 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 7 – 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, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 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 2005 was 13.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 16.7 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, 2005, 2004, and 2003 combined were \$241,320, \$283,375 and \$252,189 respectively. The full amount has been contributed for 2005, 2004, and 2003.

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, 2005, 2004 and 2003 were \$386,852, \$384,259 and \$322,519, respectively. The full amount has been contributed for 2004 and 2003 and 71% has been contributed for 2005.

Note 8 – 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 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 2005 which were used to fund post-employment benefits were \$71,238. 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 7.75 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 \$124,954. 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 9 - Debt

A. Short-Term Debt

The Township's short-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>
Series 2001, Fourth (2004B) Renewal Building Acquisition Notes	4.73%	\$444,000	\$0	\$444,000	\$0
Series 2003, Second (2004B) Renewal Building Acquisition Notes	4.00%	2,685,000	0	2,685,000	0
Series 2002, Second (2004B) Renewal Building Acquisition Notes	4.50%	3,735,600	0	3,735,600	0
Various Purpose Renewal Notes - 2005-59	4.00%	<u>0</u>	<u>6,197,000</u>	<u>0</u>	<u>6,197,000</u>
Total		<u>\$6,864,600</u>	<u>\$6,197,000</u>	<u>\$6,864,600</u>	<u>\$6,197,000</u>

B. Long-Term Debt

The Township's long term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance 12/31/04	Additions	Reductions	Balance 12/31/05	Due Within One Year
Variable Rate Subordinate Tax Increment Revenue Notes, Series 2003B	2.40%	\$4,655,000	\$0	\$0	\$4,655,000	\$160,000
Variable Rate Subordinate Tax Increment Revenue Notes, Series 2003A	2.40%	3,600,000	0	0	3,600,000	140,000
Tax Increment Revenue Notes, Series 2001B	4.73%	12,100,000	0	370,000	11,730,000	380,000
Tax Increment Revenue Notes, Series 1998	4.50%	8,190,000	0	275,000	7,915,000	285,000
Long-term Road Improvement Special Assessment Bonds	3.78%	800,000	0	60,000	740,000	70,000
Long-term Road Improvement Special Assessment Bonds	3.83%	0	640,000	0	640,000	50,000
Total		<u>\$29,345,000</u>	<u>\$640,000</u>	<u>\$705,000</u>	<u>\$29,280,000</u>	<u>\$1,085,000</u>

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
2006	\$965,000	\$1,305,496	\$120,000	\$52,612
2007	1,010,000	1,266,635	130,000	49,397
2008	1,060,000	1,224,440	135,000	45,867
2009	1,105,000	1,178,931	140,000	41,330
2010	1,155,000	1,130,718	145,000	36,430
2011-2015	6,690,000	4,802,604	710,000	87,455
2016-2020	8,620,000	3,076,094	0	0
2021-2025	7,295,000	910,762	0	0
Totals	<u>\$27,900,000</u>	<u>\$14,895,680</u>	<u>\$1,380,000</u>	<u>\$313,091</u>

Note 10 – Interfund Transfers

During 2005 the following transfers were made:

	Transfer In	Transfer Out
General	\$0	(\$647,434)
Fire	0	(208,418)
TIF 98 General Reserve	2,149,544	(575,334)
TIF 98 Revenue Fund	896,432	(4,260,573)
General Bond Retirement	855,852	0
Other Nonmajor Funds	2,498,148	(708,217)
Total Transfers in All Funds	<u>\$6,399,976</u>	<u>(\$6,399,976)</u>

Transfers represent the allocation of unrestricted receipts collected within the Fund type to finance various programs accounted for within the fund type.

REQUIRED SUPPLEMENTARY INFORMATION

**Deerfield Township, Warren County
General Fund
Schedule of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance from Final Budget
RECEIPTS				
Taxes	\$2,044,000	\$1,759,500	\$1,397,899	(\$361,601)
Charges for Services	0	0	448,436	448,436
Licenses, Permits, and Fees	172,500	145,815	144,048	(1,767)
Earnings on Investments	83,000	87,150	360,615	273,465
Fines and Forfeitures	100,000	103,000	187,368	84,368
Intergovernmental Receipts	0	0	800,969	800,969
Other Receipts	343,750	288,400	419,091	130,691
TOTAL RECEIPTS	2,743,250	2,383,865	3,758,426	1,374,561
DISBURSEMENTS				
General Government	2,892,748	2,844,498	2,139,856	704,642
Public Works	39,613	275,552	14,550	261,002
Health	48,002	49,443	24,770	24,673
Other Disbursements	0	0	0	0
Capital Outlay	0	0	2,603,386	(2,603,386)
Principal	0	0	0	0
TOTAL DISBURSEMENTS	2,980,363	3,169,493	4,782,562	(1,613,069)
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(237,113)	(785,628)	(1,024,136)	(238,508)
OTHER FINANCING SOURCES (USES)				
Advances - In	0	0	150,000	150,000
Advances (Out)	0	0	(150,000)	(150,000)
Other Financing Uses	0	0	(107,679)	(107,679)
Transfers (Out)	0	0	(647,434)	(647,434)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(755,113)	(755,113)
Net Change in Fund Balance	(237,113)	(785,628)	(1,779,249)	(993,621)
Fund Balance Beginning of Year	5,215,101	5,215,101	5,215,101	0
Prior Year Encumbrances Appropriated	350,477	350,477	350,477	0
Fund Balance End of Year	\$5,328,465	\$4,779,950	\$3,786,329	(\$993,621)

See accompanying notes to the required supplementary information.

**Deerfield Township, Warren County
Police District Fund
Schedule of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance from Final Budget
RECEIPTS				
Taxes	\$1,375,000	\$1,416,250	\$1,888,030	\$471,780
Licenses, Permits, and Fees	0	0	207,542	207,542
Intergovernmental Receipts	27,000	27,810	227,853	200,043
TOTAL RECEIPTS	1,402,000	1,444,060	2,323,425	879,365
DISBURSEMENTS				
Public Safety	1,323,970	1,429,888	1,758,385	(328,497)
Capital Outlay	269,422	277,505	85,404	192,101
TOTAL DISBURSEMENTS	1,593,392	1,707,393	1,843,789	(136,396)
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(191,392)	(263,333)	479,636	742,969
OTHER FINANCING SOURCES (USES)				
Advances - In	0	0	150,000	150,000
Advances Out	0	0	(150,000)	(150,000)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0
Net Change in Fund Balance	(191,392)	(263,333)	479,636	742,969
Fund Balance Beginning of Year	622,224	622,224	622,224	0
Prior Year Encumbrances Appropriated	7,890	7,890	7,890	0
Fund Balance End of Year	\$438,722	\$366,781	\$1,109,750	\$742,969

See accompanying notes to the required supplementary information.

**Deerfield Township, Warren County
 Fire Fund Special Levy
 Schedule of Receipts, Disbursements, and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance from Final Budget
RECEIPTS				
Taxes	\$3,425,000	\$3,527,750	\$3,330,337	(\$197,413)
Intergovernmental Receipts	32,000	32,960	510,344	477,384
TOTAL RECEIPTS	3,457,000	3,560,710	3,840,681	279,971
DISBURSEMENTS				
Public Safety	3,517,147	3,628,914	3,813,542	(184,628)
Debt Service:				0
Principal	187,000	187,000	187,000	0
Interest and Fiscal Charges	21,418	21,418	21,418	0
TOTAL DISBURSEMENTS	3,725,565	3,837,332	4,021,960	(184,628)
Net Change in Fund Balance	(268,565)	(276,622)	(181,279)	95,343
Fund Balance Beginning of Year	1,142,073	1,142,073	1,142,073	0
Prior Year Encumbrances Appropriated	124,344	124,344	124,344	0
Fund Balance End of Year	\$997,852	\$989,795	\$1,085,138	\$95,343

See accompanying notes to the required supplementary information.

**Deerfield Township, Warren County
1998 TIF General Reserve Fund
Schedule of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance from Final Budget
RECEIPTS				
Earnings on Investments	\$55,000	\$56,000	\$56,719	\$719
Other Receipts	20,000	20,000	20,323	323
TOTAL RECEIPTS	75,000	76,000	77,042	1,042
DISBURSEMENTS				
Capital Outlay	12,500	12,500	12,538	(38)
Admin Fees	0	0	7,884	(7,884)
TOTAL DISBURSEMENTS	12,500	12,500	20,422	(7,922)
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	62,500	63,500	56,620	(6,880)
OTHER FINANCING SOURCES (USES)				
Transfers-In	2,149,544	2,149,544	2,149,544	0
Transfers-Out	(575,334)	(575,334)	(575,334)	0
TOTAL OTHER FINANCING SOURCES (USES)	1,574,210	1,574,210	1,574,210	0
Net Change in Fund Balance	1,636,710	1,637,710	1,630,830	(6,880)
Fund Balance Beginning of Year	642,827	642,827	642,827	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance End of Year	\$2,279,537	\$2,280,537	\$2,273,657	(\$6,880)

See accompanying notes to the required supplementary information.

**Deerfield Township, Warren County
1998 TIF Revenue Fund
Schedule of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance from Final Budget
RECEIPTS				
Taxes	\$3,866,260	\$4,059,573	\$3,936,650	(\$122,923)
Earnings on Investments	20,000	20,000	20,659	659
Intergovernmental Receipts	400,000	400,000	399,794	(206)
TOTAL RECEIPTS	4,286,260	4,479,573	4,357,103	(122,470)
DISBURSEMENTS				
Payments to Schools	2,300,000	2,400,000	2,392,272	7,728
Admin Fees	2,800	2,900	2,832	68
TOTAL DISBURSEMENTS	2,302,800	2,402,900	2,395,104	7,796
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	1,983,460	2,076,673	1,961,999	(114,674)
OTHER FINANCING SOURCES (USES)				
Transfers-In	896,432	896,432	896,432	0
Transfers-Out	(4,260,573)	(4,260,573)	(4,260,573)	0
TOTAL OTHER FINANCING SOURCES (USES)	(3,364,141)	(3,364,141)	(3,364,141)	0
Net Change in Fund Balance	(1,380,681)	(1,287,468)	(1,402,142)	(114,674)
Fund Balance Beginning of Year	2,149,544	2,149,544	2,149,544	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance End of Year	\$768,863	\$862,076	\$747,402	(\$114,674)

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	\$817,490	\$501,847	\$36,703	\$1,630,830	(\$1,402,142)
Encumbrances	(2,596,739)	(22,211)	(217,982)	0	0
Budget Basis	(\$1,779,249)	\$479,636	(\$181,279)	\$1,630,830	(\$1,402,142)

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, 2005, 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 2005-001 and 2005-002 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 2005-001 to be a material weakness.

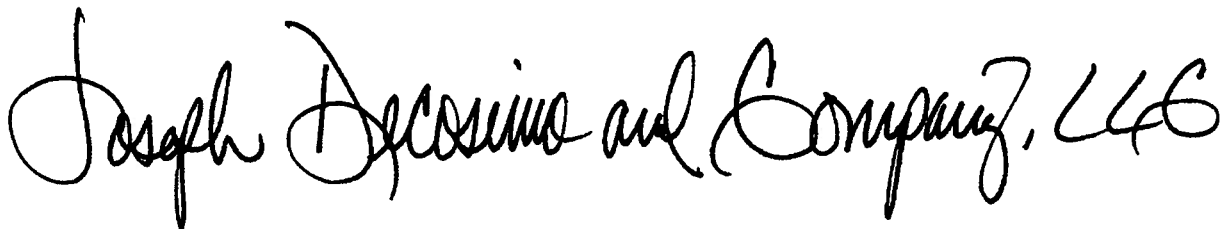
Compliance and Other Matters

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 2005-003 through 2005-005.

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, 2005**

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

FINDING NUMBER 2005-001

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 2005-002

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 2005-003

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	\$ 308,897
Park	\$ 114,985
Ambulance and EMS	\$ 13,005
Debt Service	\$ 39,090
Capital Project	\$ 4,076,757

Management Response:

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

FINDING NUMBER 2005-004

Noncompliance Citation – Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

Contrary to the requirements of Section 5705.41(B), the Township expended amounts exceeding appropriations in the following fund:

Fund	Amount by which expenditures exceeded appropriations
Arbor Square Capital Project	\$ 86,960

Management Response:

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

FINDING NUMBER 2005-005

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.

During our audit testing, we identified instances where, contrary to the requirements of Section 5705.41(D), the Township expended amounts without encumbering.

Management Response:

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

**DEERFIELD TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2004-001	Finding for recovery - College tuition reimbursement owed back to the Township because of early separation of employment	Yes	Corrected - Amounts collected by Township



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**