

**CITY OF DEER PARK**



**Basic Financial Statements**

**December 31, 2011**





# Dave Yost • Auditor of State

Members of Council  
City of Deer Park  
7777 Blue Ash Road  
Deer Park, Ohio 45236

We have reviewed the *Independent Auditors' Report* of the City of Deer Park, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. 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. The City of Deer Park is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 9, 2012

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor, City Council  
and City Manager  
City of Deer Park, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deer Park (the City) as of and for the year ended December 31, 2011 which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City'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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City, as of December 31, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15 to the financial statements, during the year ended December 31, 2011, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2012, on our consideration of the City'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
May 7, 2012

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
(Unaudited)  
For the Year Ended December 31, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Deer Park's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2011.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets increased \$330,108. Net assets of governmental activities increased \$312,953, net assets of business-type activities increased by \$17,155.
- The General Fund reported a net change in fund balance of \$59,092.
- Business-type operations reflected operating income of \$17,155.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Deer Park's (the "City") financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**REPORTING THE CITY AS A WHOLE**

*Government-Wide Financial Statements-  
Statement of Net Assets and the Statement of Activities*

The analysis of the City as a whole begins with the Statement of Net Assets and the Statement of Activities.

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the change in those assets. This change in net assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base, the condition of the City's capital assets and the reputation of the public schools will also need to be evaluated.

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
(Unaudited)  
For the Year Ended December 31, 2011

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In the Statement of Net Assets and the Statement of Activities, the City presents both governmental activities and business-type activities and divides the activities between the two.

- Government Activities - Most of the City's services are reported here including police, street maintenance, parks and recreation, and general and administrative. Income taxes, property taxes, intergovernmental revenue, charges for services, and interest finance most of these activities.
- Business-Type Activities - These services include waste collection and disposal. Service fees for these operations are charged based upon the amount of usage or a usage fee. The intent is that the fees charged recoup operational costs.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and other funds may be established by the City, with approval of the Council, to help control, manage and report money received for a particular purpose or to show that the City is meeting legal responsibilities for use of grants. The City's major funds include the General Fund and Street Maintenance Fund.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

**Proprietary Funds:** When the City charges citizens for the service it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
(Unaudited)  
For the Year Ended December 31, 2011

**Fiduciary Funds:** The City is the fiscal agent for one agency fund. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the Statement of Net Assets, Statement of Activities, and fund financial statements.

**THE CITY AS A WHOLE**

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2011 compared to 2010.

TABLE 1 - NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and Other Assets	\$ 3,908,474	\$ 3,709,759	\$ (8,668)	\$ (28,371)	\$ 3,899,806	\$ 3,681,388
Capital Assets, Net	3,994,547	3,729,998	7,045	9,867	4,001,592	3,739,865
Total Assets	7,903,021	7,439,757	(1,623)	(18,504)	7,901,398	7,421,253
<b>Liabilities</b>						
Current and Other Liabilities	1,594,935	1,567,664	26,366	26,640	1,621,301	1,594,304
Long-Term Liabilities	2,736,824	2,613,784	-	-	2,736,824	2,613,784
Total Liabilities	4,331,759	4,181,448	26,366	26,640	4,358,125	4,208,088
<b>Net Assets</b>						
Invested in Capital Assets, Net of Debt	1,600,346	1,210,495	7,045	9,867	1,607,391	1,220,362
Restricted	516,339	522,981	-	-	516,339	522,981
Unrestricted	1,454,577	1,524,833	(35,034)	(55,011)	1,419,543	1,469,822
Total Net Assets	\$ 3,571,262	\$ 3,258,309	\$ (27,989)	\$ (45,144)	\$ 3,543,273	\$ 3,213,165

Total net assets, of the City as a whole, increased \$330,108. Net assets of the City's governmental activities increased \$312,953, while the net assets of the City's business-type activities increased \$17,155 from 2010. The City had an unrestricted net assets balance of \$1,454,577 for the governmental activities that may be used to meet the government's ongoing obligations to citizens and creditors. Current and other assets increased mainly due to an increase in property and income taxes receivable as well as intergovernmental receivables due to the City.

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
*(Unaudited)*  
For the Year Ended December 31, 2011

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**Governmental Activities**

Property taxes and the 1.5% income tax are the largest sources of revenue for the City. Revenues generated by these taxes represent approximately 78% of the City's governmental activities general revenues. The balance of general revenues is mostly comprised of other intergovernmental revenue sources such as Ohio's estate tax distribution, the State of Ohio's Local Government Fund distribution and other taxes collected by the State and distributed to the City. General revenues decreased mainly due to fewer estate tax receipts received in 2011 or receivable for 2011 compared to 2010. General government expenses decreased in 2011 compared to 2010 due to cost cutting and budget reducing measures.

The changes in net assets for 2011 and 2010 are outlined in Table 2.

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
(Unaudited)  
For the Year Ended December 31, 2011

TABLE 2 - CHANGES IN NET ASSETS

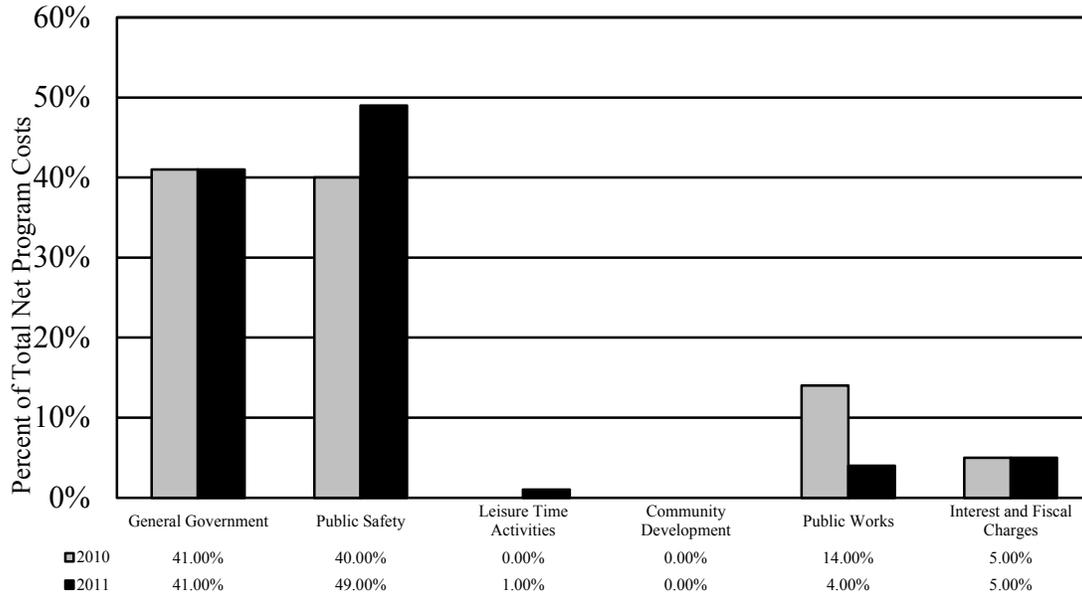
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 219,785	\$ 172,694	\$ 344,287	\$ 344,357	\$ 564,072	\$ 517,051
Operating Grants and Contributions	26,885	612,561	-	-	26,885	612,561
Capital Grants and Contributions	316,153	-	-	-	316,153	-
<b>Total Program Revenues</b>	<b>562,823</b>	<b>785,255</b>	<b>344,287</b>	<b>344,357</b>	<b>907,110</b>	<b>1,129,612</b>
<b>General Revenues</b>						
Income Taxes	1,159,107	1,148,011	-	-	1,159,107	1,148,011
Property Taxes	988,970	1,015,000	-	-	988,970	1,015,000
Unrestricted Contributions	601,879	812,115	-	-	601,879	812,115
Investment Earnings	3,916	6,400	-	-	3,916	6,400
<b>Total General Revenues</b>	<b>2,753,872</b>	<b>2,981,526</b>	<b>-</b>	<b>-</b>	<b>2,753,872</b>	<b>2,981,526</b>
<b>Total Revenues</b>	<b>3,316,695</b>	<b>3,766,781</b>	<b>344,287</b>	<b>344,357</b>	<b>3,660,982</b>	<b>4,111,138</b>
<b>Program Expenses</b>						
General Government	1,152,178	1,333,382	-	-	1,152,178	1,333,382
Public Safety	1,253,489	1,240,314	-	-	1,253,489	1,240,314
Public Works	407,291	964,941	-	-	407,291	964,941
Leisure Time Activities	55,088	46,729	-	-	55,088	46,729
Community Development	3,867	6,985	-	-	3,867	6,985
Interest and Fiscal Charges	131,829	132,541	-	-	131,829	132,541
Waste Collection and Disposal	-	-	327,132	336,935	327,132	336,935
<b>Total Expenses</b>	<b>3,003,742</b>	<b>3,724,892</b>	<b>327,132</b>	<b>336,935</b>	<b>3,330,874</b>	<b>4,061,827</b>
<b>Increase in Net Assets</b>	<b>312,953</b>	<b>41,889</b>	<b>17,155</b>	<b>7,422</b>	<b>330,108</b>	<b>49,311</b>
<b>Net Assets Beginning of Year</b>	<b>3,258,309</b>	<b>3,216,420</b>	<b>(45,144)</b>	<b>(52,566)</b>	<b>3,213,165</b>	<b>3,163,854</b>
<b>Net Assets End of Year</b>	<b>\$ 3,571,262</b>	<b>\$ 3,258,309</b>	<b>\$ (27,989)</b>	<b>\$ (45,144)</b>	<b>\$ 3,543,273</b>	<b>\$ 3,213,165</b>

When looking at the sources of income to support operations, it should be noted that charges for services are only 6% of revenue, while 64% of revenue is derived from income and property taxes. The City substantially relies on these taxes to fund the services it provides to businesses and citizens.

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
(Unaudited)  
For the Year Ended December 31, 2011

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Net program cost for 2011 and 2010 by percentage of total net program expenses, as presented on the statement of activities, were as follows:



**Business-Type Activities**

The City's business-type activity includes waste collection and disposal. This program had operating revenues of \$344,287 and operating expenses of \$327,132 for 2011. Business activities receive no support from tax revenues. The business activities net assets at the end of the year were (\$27,989), which increased \$17,155 from 2010. The City had one business-type (enterprise) fund that was a major fund: the Waste Collection and Disposal fund.

**THE CITY'S FUNDS**

Information about the City's major governmental funds begins with the Balance Sheet – Governmental Funds and Statement of Revenues Expenditures and Changes in Fund Balances – Governmental Funds. These funds are reported using the modified accrual basis of accounting.

All governmental funds had operating revenues of \$3,201,718 and expenditures of \$3,368,735.

Total fund balance decreased for 2011 compared to 2010 by \$167,017.

The City has two major governmental funds. Assets of the major funds comprise 86% of governmental fund total assets.

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
(Unaudited)  
For the Year Ended December 31, 2011

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*Budgetary Activity and Actual Results*

The City adopts annual appropriated budgets for its funds. The schedules comparing the City's original and final budgets and actual results are included in the Required Supplementary Information for the General Fund.

During 2011, there were no major revisions to the General fund budget. Actual revenues were 4% over the final budget and actual expenditures plus encumbrances were 12% under final budget amounts. The main revenue variances were intergovernmental receipts and charges for services. The main expenditure variances were general government and transportation and street repair expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

TABLE 3 - Net Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 286,445	\$ 286,445	\$ -	\$ -	\$ 286,445	\$ 286,445
Buildings and Improvements	2,123,762	2,189,964	-	-	2,123,762	2,189,964
Equipment	239,080	287,024	7,045	9,867	246,125	296,891
Infrastructure	925,672	966,565	-	-	925,672	966,565
Construction in process	419,588	-	-	-	419,588	-
Total Net Capital Assets	<u>\$ 3,994,547</u>	<u>\$ 3,729,998</u>	<u>\$ 7,045</u>	<u>\$ 9,867</u>	<u>\$ 4,001,592</u>	<u>\$ 3,739,865</u>

Additional information regarding capital assets can be found in the Notes to the Basic Financial Statements.

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
(Unaudited)  
For the Year Ended December 31, 2011

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*Debt*

At December 31, 2011, the City had \$2,250,000 in un-voted general obligation bonds.

Table 4 - Outstanding Debt at Year End

	2011	2010
Governmental Activities		
Current Interest Bonds		
Municipal Building	\$ 2,220,000	\$ 2,320,000
Capital Appreciation Bonds		
Municipal Building	30,000	30,000
Total Debt	\$ 2,250,000	\$ 2,350,000

Additional information regarding debt can be found in the Notes to the Basic Financial Statements.

**FINANCIAL POSITION**

The City continues to seek ways to improve the quality and quantity of services we provide to our residents. Furthermore, we are committed to providing our residents with full disclosure of the financial position of the City.

While we are currently in stable financial condition, we are not immune to the tough economic conditions that are facing our economy as a whole. We are carefully watching the activity in the General and Waste Collection Funds and will take actions necessary to keep our funds, and City as a whole, on stable financial ground.

**CONTACTING THE CITY'S FINANCE DEPARTMENT**

This financial report is designed to provide our residents, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Deer Park, 7777 Blue Ash Road, Deer Park, Ohio 45236.

City of Deer Park  
Hamilton County, Ohio  
Statement of Net Assets  
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 1,818,838	\$ 80,139	\$ 1,898,977
Receivables (net of allowance for doubtful accounts)			
Taxes-Real & Personal Property	998,200	-	998,200
Special Assessments	2,400	-	2,400
Taxes-Income	507,341	-	507,341
Accounts	17,997	21,520	39,517
Intergovernmental	453,371	-	453,371
Internal Balances	110,327	(110,327)	-
Nondepreciable Capital Assets	706,033	-	706,033
Depreciable Capital Assets, Net	3,288,514	7,045	3,295,559
<b>Total Assets</b>	<b>7,903,021</b>	<b>(1,623)</b>	<b>7,901,398</b>
<b>Liabilities</b>			
Accounts Payable	29,215	25,514	54,729
Retainage Payable	20,979	-	20,979
Contracts Payable	258,912	-	258,912
Accrued Wages and Benefits	109,499	852	110,351
Accrued Interest Payable	27,231	-	27,231
Other Accrued Liabilities	176,299	-	176,299
Unearned Revenue	972,800	-	972,800
Long-Term Liabilities Due Within 1 year	225,796	-	225,796
Long-Term Liabilities Due Over 1 year	2,511,028	-	2,511,028
<b>Total Liabilities</b>	<b>4,331,759</b>	<b>26,366</b>	<b>4,358,125</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,600,346	7,045	1,607,391
Restricted for			
Public Safety	51,666	-	51,666
Roads	355,408	-	355,408
Culture and Recreation	109,265	-	109,265
Unrestricted	1,454,577	(35,034)	1,419,543
<b>Total Net Assets</b>	<b>\$ 3,571,262</b>	<b>\$ (27,989)</b>	<b>\$ 3,543,273</b>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Statement of Activities  
For the Year Ended December 31, 2011

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Reporting Entity Total
<b>Governmental Activities:</b>							
General Government	\$ 1,152,178	\$ 159,098	\$ -	\$ -	\$ (993,080)	\$ -	\$ (993,080)
Public Safety	1,253,489	58,347	-	-	(1,195,142)	-	(1,195,142)
Leisure Time Activities	55,088	-	26,885	-	(28,203)	-	(28,203)
Community Development	3,867	-	-	-	(3,867)	-	(3,867)
Public Works	407,291	2,340	-	316,153	(88,798)	-	(88,798)
Interest and Fiscal Charges	131,829	-	-	-	(131,829)	-	(131,829)
<b>Total Governmental Activities</b>	<b>3,003,742</b>	<b>219,785</b>	<b>26,885</b>	<b>316,153</b>	<b>(2,440,919)</b>	<b>-</b>	<b>(2,440,919)</b>
<b>Business Type Activities:</b>							
Waste Collection and Disposal	327,132	344,287	-	-	-	17,155	17,155
<b>Totals</b>	<b>\$ 3,330,874</b>	<b>\$ 564,072</b>	<b>\$ 26,885</b>	<b>\$ 316,153</b>	<b>\$ (2,440,919)</b>	<b>\$ 17,155</b>	<b>\$ (2,423,764)</b>

<b>General Revenues</b>			
Income Taxes	\$ 1,159,107	\$ -	\$ 1,159,107
Property Taxes Levied for:			
General Purposes	961,003	-	961,003
Public Safety	27,967	-	27,967
Unrestricted Contributions	601,879	-	601,879
Investment Earnings	3,916	-	3,916
<b>Total General Revenues</b>	<b>2,753,872</b>	<b>-</b>	<b>2,753,872</b>
Change in Net Assets	312,953	17,155	330,108
Net Assets Beginning of Year	3,258,309	(45,144)	3,213,165
Net Assets End of Year	<b>\$ 3,571,262</b>	<b>\$ (27,989)</b>	<b>\$ 3,543,273</b>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Balance Sheet  
Governmental Funds  
December 31, 2011

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 1,420,480	\$ -	\$ 398,358	\$ 1,818,838
<b>Receivables:</b>				
Taxes - Property	973,900	-	24,300	998,200
Taxes - Income	507,341	-	-	507,341
Special Assessments	2,400	-	-	2,400
Accounts	17,972	-	25	17,997
Intergovernmental	147,494	178,802	127,075	453,371
Due from other fund	110,327	-	-	110,327
<b>Total Assets</b>	<b>\$ 3,179,914</b>	<b>\$ 178,802</b>	<b>\$ 549,758</b>	<b>\$ 3,908,474</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 26,567	\$ -	\$ 2,648	\$ 29,215
Retainage Payable	-	20,979	-	20,979
Contracts Payable	-	258,912	-	258,912
Accrued Wages and Benefits	102,328	-	7,171	109,499
Other Accrued Liabilities	176,299	-	-	176,299
Deferred Revenue	1,458,813	143,499	109,716	1,712,028
<b>Total Liabilities</b>	<b>1,764,007</b>	<b>423,390</b>	<b>119,535</b>	<b>2,306,932</b>
<b>Fund Balances</b>				
Unassigned	1,415,907	(244,588)	-	1,171,319
<b>Restricted:</b>				
Public Safety	-	-	48,866	48,866
Roads	-	-	272,092	272,092
Recycling	-	-	349	349
Recreation	-	-	108,916	108,916
<b>Total Fund Balances</b>	<b>1,415,907</b>	<b>(244,588)</b>	<b>430,223</b>	<b>1,601,542</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,179,914</b>	<b>\$ 178,802</b>	<b>\$ 549,758</b>	<b>\$ 3,908,474</b>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2011

Total Governmental Fund Balances		\$ 1,601,542
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	286,445	
Construction in Progress	419,588	
Other Capital Assets	4,368,350	
Accumulated depreciation	<u>(1,079,836)</u>	3,994,547
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		
Income Taxes	370,800	
Delinquent Property Taxes	26,400	
Intergovernmental and Other Revenues	<u>342,028</u>	739,228
<p>In the statement of net assets interest payable is accrued when incurred whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.</p>		
Accrued Interest Payable	(27,231)	
Accreted Interest	<u>(94,365)</u>	(121,596)
<p>Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in the governmental funds.</p>		
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Due to Other Governments	(92,160)	
Capital Lease Liabilities	(18,856)	
Long-Term Note Payable	(125,345)	
Bonds	(2,250,000)	
Compensated absences	<u>(156,098)</u>	(2,642,459)
Net Assets of Governmental Activities		<u><u>\$ 3,571,262</u></u>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2011

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,063,128	\$ -	\$ 27,899	\$ 2,091,027
Charges for Services	132,670	-	3,040	135,710
Contributions and Donations	-	-	842	842
Fines, Licenses & Permits	77,495	-	6,380	83,875
Investment Earnings	3,717	-	199	3,916
Intergovernmental	391,967	175,000	293,138	860,105
Other Revenues	200	-	26,043	26,243
<b>Total Revenues</b>	<b>2,669,177</b>	<b>175,000</b>	<b>357,541</b>	<b>3,201,718</b>
<b>Expenditures</b>				
Current:				
General Government	1,060,528	-	-	1,060,528
Public Safety	1,218,175	-	4,457	1,222,632
Leisure Time Activities	33,685	-	20,631	54,316
Community Development	-	-	3,867	3,867
Transportation and Street Repair	59,763	419,588	301,252	780,603
Capital Outlay	2,108	-	8,855	10,963
Debt Service				
Principal Retirement	25,302	-	100,000	125,302
Interest and Fiscal Charges	1,461	-	109,063	110,524
<b>Total Expenditures</b>	<b>2,401,022</b>	<b>419,588</b>	<b>548,125</b>	<b>3,368,735</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	268,155	(244,588)	(190,584)	(167,017)
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	209,063	209,063
Transfers Out	(209,063)	-	-	(209,063)
<b>Total Other Financing Sources (Uses)</b>	<b>(209,063)</b>	<b>-</b>	<b>209,063</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>59,092</b>	<b>(244,588)</b>	<b>18,479</b>	<b>(167,017)</b>
Fund Balances at Beginning of Year	1,356,815	-	411,744	1,768,559
<b>Fund Balances at End of Year</b>	<b>\$ 1,415,907</b>	<b>\$ (244,588)</b>	<b>\$ 430,223</b>	<b>\$ 1,601,542</b>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2011

Net Change in Fund Balances - Total Governmental Funds		\$ (167,017)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in the governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
	264,549	
Because some revenues will not be collected for several months after the City's year-end, they are not considered "available" revenues and are reported as deferred revenue in the governmental funds.		
Income Taxes	56,211	
Delinquent Property Taxes	(561)	
Intergovernmental and Other Revenues	<u>56,958</u>	
		112,608
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Payments on Obligation to Other Governments	7,679	
Principal Payments on Capital Lease Obligation	18,140	
Payments on OPWC Note Payable	7,162	
Bond Principal Retirement	<u>100,000</u>	
		132,981
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
		(21,305)
Compensated Absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(8,863)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 312,953</u></u>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Statement of Net Assets - Proprietary Fund  
December 31, 2011

	Waste Collection and Disposal
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 80,139
Receivables:	
Accounts	21,520
Total Current Assets	101,659
Depreciable Capital Assets, Net	7,045
Total Assets	108,704
Liabilities	
Accounts Payable	25,514
Accrued Wages and Benefits	852
Due to Other Fund	110,327
Total Liabilities	136,693
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,045
Unrestricted	(35,034)
Total Net Assets	\$ (27,989)

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Statement of Revenues,  
Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended December 31, 2011

	Waste Collection and Disposal
Operating Revenues	
Charges for Services	\$ 344,287
Total Operating Revenues	344,287
Operating Expenses	
Contractual Services	324,310
Depreciation	2,822
Total Operating Expenses	327,132
Change in Net Assets	17,155
Net Assets Beginning of Year	(45,144)
Net Assets End of Year	\$ (27,989)

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended December 31, 2011

	Waste Collection and Disposal
Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 346,518
Payments to Employees	(18,079)
Payments to Suppliers	(306,505)
Net Cash Provided by Operating Activities	21,934
Cash and Cash Equivalents Beginning of Year	58,205
Cash and Cash Equivalents End of Year	\$ 80,139
Reconciliation of Operating Income to Net Cash	
Used by Operating Activities	
Operating Income	\$ 17,155
Adjustments to Reconcile Operating Income to Net Cash	
Used by Operating Activities:	
Depreciation Expense	2,822
Decrease in Accounts Receivable	2,231
Decrease in Accrued Liabilities	(274)
Net Cash Provided by Operating Activities	\$ 21,934

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Statement of Fiduciary Net Assets - Fiduciary Fund  
December 31, 2011

	<u>Agency</u>
Assets	
Equity Pooled in Cash and Cash Equivalents	<u>\$ -</u>
Total Assets	<u><u>\$ -</u></u>
Liabilities	
Due to Other Governments	<u>\$ -</u>
Total Liabilities	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements

**Note 1 - Description of the City and Reporting Entity**

The City of Deer Park, Ohio (the “City”) was incorporated in 1912, and became a city in 1952. The City is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under a Council-Manager form of government.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes; public services, public safety, recreation and development. The City operates under a seven member council and has direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City participates in a jointly governed organization which is defined as a joint venture. A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain: (a) an ongoing financial interest or (b) an ongoing responsibility.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. For proprietary funds the City has elected not to follow subsequent private-sector guidance. The most significant of the City’s accounting policies are described below.

***A. Basis of Presentation***

The City’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and 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 City as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The effect of interfund activity has been removed from these

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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statements; however, any effects from inter-fund services provided and used are not eliminated in the process of consolidation.

The statement of net assets presents the financial condition of the governmental activities and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program or grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

### ***Fund Financial Statements***

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental 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 City uses funds 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. There are three categories of funds: governmental, proprietary and fiduciary.

### ***Governmental Funds***

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

#### ***General Fund***

The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

#### ***Capital Project Fund***

To account for receipts and disbursements related to capital projects within the City.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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***Proprietary Funds***

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have an Internal service fund.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund:

***Waste Collection and Disposal Fund***

This fund accounts for the collection and disposal of waste to the residents and commercial users located within the City.

***Fiduciary Funds***

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: agency funds, pension trust funds, investment trust funds and private-purpose trust funds. The City has one Agency fund - a Mayor's Court Agency fund (to account for amounts held on behalf of other governments and bonds deposited with the court pending final disposition of various causes). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City currently has no trust funds.

***C. Measurement Focus***

***Government-Wide Financial Statements***

The government-wide financial statements are prepared using the *economic resources measurement focus*. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

***Fund Financial Statements***

All governmental funds are accounted for using a flow of *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

***Revenues - Exchange and Non-exchange Transactions***

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, and fees.

***Deferred Revenue***

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***E. Equity in Pooled Cash, Cash Equivalents and Investments***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the statement of net assets and the governmental fund balance sheet.

Interest is distributed according to Ohio statutes. Interest revenue credited to the general fund during 2011 amounted to \$3,717.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

***G. Capital Assets***

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. The City's infrastructure consists of curbs, sidewalks, storm sewers and streets. The City is not required to report infrastructure before December 31, 2003 since it is considered a Phase 3 Government. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Capital assets utilized by the proprietary fund are reported both in the business-type column of the government-wide statement of net assets and in the respective proprietary fund.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure are estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	40 years
Infrastructure	20 to 35 years
Machinery and Equipment	5 to 20 years

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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***H. Compensated Absences***

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City's termination policy. The City records a liability for all accumulated unused vacation time when earned for all employees.

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year.

The entire compensated absence liability is reported on the government-wide statement of net assets.

***I. Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the fund financial statements regardless of whether they will be liquidated with current resources. However, compensated absences, capital leases and general obligation bonds that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally due for payment during the current year. The entire balance is reported as a liability on the statement of net assets.

***J. Classification of Fund Balance***

In accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," the City's fund balance is divided into five classifications based primarily on the extent to which the City must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable - The City classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed - The City's Council can *commit* amounts via formal action (resolution). The City must adhere to these commitments unless the City's Council amends the resolution. Committed fund balance

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the City's Council or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***K. Net Assets***

Net assets represent the difference between assets and liabilities. Investment in capital assets, net of debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***L. Interfund Activity***

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Transfers In" by the recipient fund and "Transfers Out" by the disbursing fund on the fund financial statements. These transfers are consolidated on the government-wide statements.
- Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental activities columns of the statement of net assets.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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***M. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 - Deposits and Investments**

State statutes classify monies held by the City into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the City's Treasury. Active monies must be maintained either as cash in the City's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City has identified as not required for use within the current two year period of designation of depositories. Inactive deposits may be deposited or invested only as certificates of deposit maturing no 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 needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities 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;
- Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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- The State Treasury Asset Reserve of Ohio (STAR Ohio); and
- Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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 City, and must be purchased with the expectation it will be held to maturity. Investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The carrying amount of the City's cash and investments totaled \$1,898,977 at December 31, 2011 as summarized below:

Deposits With Financial Institutions	\$ 1,734,748
STAROhio	<u>164,229</u>
Total Cash and Investments	<u><u>\$ 1,898,977</u></u>

### ***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,145,740 of the City's bank balance of \$1,743,505 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

### ***Investments***

As of December 31, 2011, the City had \$164,229 invested in STAROhio. STAROhio investments mature in 12 months or less.

*Interest Rate Risk:* The City does not have an investment policy other than State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that investment must be purchased with the expectation that it will be held to maturity.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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*Credit Risk:* The City's investment in STAROhio was rated AAA by Standard & Poor's and Moody's Investor Services. State statute only addresses credit risk by limiting the investments that may be purchased to those offered by specifically identified issuers.

*Concentration of Credit Risk:* The City places no limit on the amount it may be invested in any one issuer. Of the City's total investments, 100% is in STAROhio.

**Note 4 - Receivables**

Receivables at December 31, 2011 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, accounts receivable and an interfund receivable.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35% of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The assessed values of real and personal property upon which 2011 property tax receipts were based are as follows:

Real Property – Residential & Agricultural	\$90,566,760
Real Property – Commercial, Industrial & Other	16,180,340
Public Utility (Personal Property)	<u>5,001,700</u>
Total Valuation	<u><u>\$111,748,800</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

The County Treasurer collects property taxes on behalf of all taxing Cities in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. Although total

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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property tax collections for the next year are measurable, they were not levied to finance 2011 operations. The receivable is therefore offset by deferred revenue.

**Note 5 – Income Taxes**

The City levies a 1.5% income tax on wages, salaries, commissions and other compensation in addition to net profits of business activity. The tax applies to all income earned within the City plus income earned by residents who earned income outside the City.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly based on an annual declaration and file an annual tax return.

**Note 6 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City carries commercial general liability insurance against risks and all other risks of loss, including workers' compensation and employee health and accident insurance. More information about the City's partially self-insured health program is detailed in Note 16.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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**Note 7 - Capital Assets**

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance 1/1/2011	Additions	Deductions	Balance 12/31/2011
<b>Governmental Activities</b>				
Capital Assets, not being depreciated:				
Land	\$ 286,445	\$ -	\$ -	\$ 286,445
Construction in Progress	-	419,588	-	419,588
	<u>286,445</u>	<u>419,588</u>	<u>-</u>	<u>706,033</u>
Capital Assets, being depreciated:				
Buildings and Improvements	2,684,278	-	-	2,684,278
Machinery and Equipment	650,306	-	3,258	647,048
Infrastructure	1,033,766	-	-	1,033,766
	<u>4,368,350</u>	<u>-</u>	<u>3,258</u>	<u>4,365,092</u>
<b>Total Assets at Historical Cost</b>	<u>4,654,795</u>	<u>419,588</u>	<u>3,258</u>	<u>5,071,125</u>
Less Accumulated Depreciation:				
Buildings and Improvements	494,314	66,202	-	560,516
Machinery and Equipment	363,282	47,944	3,258	407,968
Infrastructure	67,201	40,893	-	108,094
	<u>924,797</u>	<u>155,039</u>	<u>3,258</u>	<u>1,076,578</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 3,729,998</u>	<u>\$ 264,549</u>	<u>\$ -</u>	<u>\$ 3,994,547</u>
<b>Business-Type Activities</b>				
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 133,071	\$ -	\$ -	\$ 133,071
<b>Total Assets at Historical Cost</b>	<u>133,071</u>	<u>-</u>	<u>-</u>	<u>133,071</u>
Less Accumulated Depreciation:				
Machinery and Equipment	123,204	2,822	-	126,026
<b>Total Accumulated Depreciation</b>	<u>123,204</u>	<u>2,822</u>	<u>-</u>	<u>126,026</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 9,867</u>	<u>\$ (2,822)</u>	<u>\$ -</u>	<u>\$ 7,045</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 94,378
Public Safety	18,287
Leisure Time Activities	772
Public Works	41,602
	<u>\$ 155,039</u>

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**Note 8 - Long-Term Obligations**

A schedule of changes in bonds and other long-term obligations of the City during 2011 follows:

	Amount Outstanding 1/1/2011	Additions	Deletions	Amount Outstanding 12/31/2011	Amounts Due in One Year
Governmental Activities					
Unvoted General Obligation Bonds					
Current Interest Bonds					
Interest Varies from 3.50%					
Municipal Building	\$ 2,320,000	\$ -	\$ 100,000	\$ 2,220,000	\$ 100,000
Capital Appreciation Bonds					
Interest Varies from 3.50%					
Municipal Building	30,000	-	-	30,000	-
Total Long-Term Bond - Principal	2,350,000	-	100,000	2,250,000	100,000
Accreted Interest	71,520	22,845	-	94,365	-
Accreted Interest and Total Long-Term Bonds - Principal	2,421,520	22,845	100,000	2,344,365	100,000
Other Long-Term Obligations					
Due to Other Governments	99,839	-	7,679	92,160	7,679
OPWC Note Payable	132,507	-	7,162	125,345	7,162
Capital Lease Obligation	36,996	-	18,140	18,856	18,856
Compensated Absences	147,235	91,332	82,469	156,098	92,099
Total Other Long-Term Obligations	416,577	91,332	115,450	392,459	125,796
Total Governmental Activities	\$ 2,838,097	\$ 114,177	\$ 215,450	\$ 2,736,824	\$ 225,796

The intergovernmental note is to an adjoining City in conjunction with a fire hydrant replacement program. Under the agreement, The City of Deer Park must make annual payments of \$7,679 through 2023.

The note payable to the Ohio Public Works Commission is due in semi-annual installments of \$3,581. The terms of the note agreement state that it is interest free. The note is due in January 2029.

The City leases certain machinery and equipment under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the statement of net assets as depreciable capital assets and was \$80,735 at December 31, 2011. Accumulated amortization of the leased equipment at December 31, 2011 was \$28,257. Amortization of assets under capital leases is included in the statement of activities as an expense in the function/program to which the asset relates.

Compensated absences will be paid from the fund from which the person is paid. Historically, this is the General Fund or a Special Revenue Fund.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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Principal and interest requirements to retire the long-term debt obligations at December 31, 2011, are as follows:

Year Ending December 31	Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 100,000	\$ 104,750	\$ -	\$ -
2013	-	102,563	16,902	88,098
2014	-	102,563	13,098	86,902
2015	100,000	100,313	-	-
2016	105,000	95,700	-	-
2017-2021	600,000	400,056	-	-
2022-2026	760,000	236,825	-	-
2027-2029	555,000	42,625	-	-
Total	\$ 2,220,000	\$ 1,185,395	\$ 30,000	\$ 175,000

Principal and interest requirements to retire the note payable at December 31, 2011, are as follows:

Year Ending December 31	Principal	Interest
2012	\$ 7,162	\$ -
2013	7,162	-
2014	7,162	-
2015	7,162	-
2016	7,162	-
2017-2021	35,810	-
2022-2026	35,810	-
2027-2029	17,915	-
Total	\$ 125,345	\$ -

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2011, are as follows:

Year Ending December 31	Minimum Lease Payments	Interest
2012	18,856	745
Total	\$ 18,856	\$ 745

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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**Note 9 - Defined Benefit Pension Plans**

***A. Ohio Public Employees Retirement System***

All full-time employees, other than non-administrative full-time police officers and firefighters, participate 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% per year.) Under the member directed plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus investment earnings. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both defined benefit and 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, whose investment is self-directed by the member, 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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

The 2011 member contribution rates were 10% for members in state and local classifications. Public safety members contributed 11%.

The 2011 employer contribution rate for state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2011 was 18.10%. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011.

The City's required contributions to OPERS for the years ended December 31, 2011, 2010, and 2009 were \$96,383, \$108,010, and \$107,306, respectively, equal to the required contributions for each year. The full amount has been contributed for 2009, 2010 and 2011.

***B. Ohio Police and Fire Pension Fund***

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% for police officers and firefighters, respectively. The City's required contributions to OP&F for the years ending December 31, 2011, 2010, and 2009 were \$153,356, \$141,498, and \$130,676, respectively. The full amount has been contributed for 2009, 2010 and 2011.

## **Note 10 - Postemployment Benefits**

### ***Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System has provided the following information pertaining to other postemployment benefits for health care costs in order to assist the City in complying with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits*.

#### A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in 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.

#### B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

#### C. City Contributions

The City's actual contributions that were used to fund post-employment benefits were \$34,592, \$45,562 and \$55,228 for 2011, 2010 and 2009, respectively.

#### D. OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

#### ***Ohio Police and Fire Pension Fund***

The Ohio Police and Fire Pension Fund has provided the following information pertaining to other postemployment benefits for health care costs in order to assist the City in complying with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits*.

##### A. Plan Description

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**B. Funding Policy**

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan. OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**C. City Contributions**

The City's actual contributions that were used to pay postemployment benefits were \$53,061, \$48,958 and \$45,193 for 2011, 2010 and 2009, respectively.

**Note 11 – Interfund Activity**

Advances From/Advances To balances at December 31, 2011, consist of the following individual fund receivables and payables:

Receivable Fund	Payable Fund	Amount
General Fund	Waste Collection and Disposal	\$110,327

Advances From/Advances To other funds were the result of cash flow issues in Waste Collection and Disposal Fund.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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**Note 12 – Joint Venture**

The City is a member of the Deer Park-Silverton Joint Fire City, which is a joint venture between the City of Deer Park and the City of Silverton. The joint venture was created to provide fire protection services to the residents of the two cities.

The Fire City Board of Trustees consists of eight trustees, with each City appointing four of the trustees. The City's ability to effect operations is limited to its representation on the Board.

The funding for the operation of the Fire City is provided by tax revenues from a continuing levy approved by the electorate of both cities. There is no explicit and measurable equity interest in the fire City. The city has an ongoing financial responsibility, because the continued existence of the joint venture depends on the City's contributions. The Joint Fire City is not accumulating significant financial resources or experiencing fiscal distress that may cause additional burden to the City.

**Note 13 – Contingent Liabilities**

At times, the City may be a party to legal proceedings seeking damages. The City's management is of the opinion that the ultimate disposition of the various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**Note 14 – Compliance and Accountability**

Compliance

Ohio Revised Code § 5705.41 (D) states that no expenditure is 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. The City's practice is to encumber and certify very few expenditures; therefore a majority of the City's expenditures were not properly certified prior to incurring the obligation.

Accountability

At year-end, the City had a deficit balance in the Waste Collection and Disposal Fund. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At year-end, the City had a temporary deficit balance in the Capital Project Fund that is the result of recognizing payables and receivables on the modified accrual basis of accounting.

**Note 15 - Adoption of New Accounting Pronouncements**

In 2011, the City implemented GASB Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions." The implementation of this statement resulted in the City's fund balance being divided into five classifications based primarily on the extent to which the City must observe constraints imposed upon the use of its governmental-fund resources.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

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**Note 16 – Incurred But Not Reported Claims – Health Benefits Program**

Medical coverage is offered to employees through a self-funded insurance plan. Under this program, the Risk Management Agency provides coverage for up to a maximum of \$100,000 per covered person. The plan is offered to local governments state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) in Steubenville, and administered by United Healthcare of Ohio.

The City participates in the program and makes payments to the Risk Management Agency based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The City’s independent advisor has actuarially determined that \$176,299 is a good and sufficient provision for incurred but not reported claims as of December 31, 2011. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$176,299 reported at December 31, 2011, is based on an estimate provided by USI Insurance (independent advisor) and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,” as amended by GASB Statement No. 30, “Risk Financing Omnibus,” which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims.

Changes in claims activity for the prior two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2010	\$ -	\$ 349,109	\$ (217,408)	\$ 131,701
2011	\$ 131,701	\$ 272,876	\$ (228,278)	\$ 176,299

**Note 17 – Subsequent Event**

On April 19, 2012 the City refunded the \$2,220,000 Municipal Building General Obligation Bonds (\$2,120,000 was outstanding at the time of the refunding) with new bonds in the amount of \$2,120,000 at interest rates ranging from 2.00% to 3.50% with a final principal and interest payment due April 1, 2029.

## **REQUIRED SUPPLEMENTARY INFORMATION**

City of Deer Park  
Hamilton County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$ 2,198,500	\$ 2,198,500	\$ 2,210,132	\$ 11,632
Charges for Services	76,500	76,500	112,205	35,705
Fees, Licenses, and Permits	30,050	30,050	27,678	(2,372)
Fines and Forfeitures	45,000	45,000	57,445	12,445
Intergovernmental	345,500	345,500	401,708	56,208
Interest	5,500	5,500	3,717	(1,783)
Miscellaneous	200	200	200	-
Total Revenues	<u>2,701,250</u>	<u>2,701,250</u>	<u>2,813,085</u>	<u>111,835</u>
Expenditures				
Current:				
General Government	1,168,275	1,098,775	1,045,205	53,570
Public Safety	1,235,350	1,234,050	1,218,950	15,100
Leisure Time Activities	33,800	35,600	33,725	1,875
Transportation and Street Repair	151,000	220,000	61,976	158,024
Capital Outlay	2,500	2,500	2,108	392
Debt Service:				
Principal Retirement and Interest	26,764	26,764	26,763	1
Total Expenditures	<u>2,617,689</u>	<u>2,617,689</u>	<u>2,388,727</u>	<u>228,962</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>83,561</u>	<u>83,561</u>	<u>424,358</u>	<u>340,797</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(209,063)</u>	<u>(209,063)</u>	<u>(209,063)</u>	<u>-</u>
Total Other Financing Uses	<u>(209,063)</u>	<u>(209,063)</u>	<u>(209,063)</u>	<u>-</u>
Net Change in Fund Balance	(125,502)	(125,502)	215,295	340,797
Fund Balance at Beginning of Year	<u>1,205,185</u>	<u>1,205,185</u>	<u>1,205,185</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,079,683</u>	<u>\$ 1,079,683</u>	<u>\$ 1,420,480</u>	<u>\$ 340,797</u>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2011

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**Note 1 - Summary of Significant Accounting Policies**

***A. Budgets***

An annual appropriated budget is legally required to be prepared for all funds of the City, except for the agency fund. The Council passes appropriations at the fund level. The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements.

***Tax Budget*** A tax budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year for the period January 1 to December 31 of the following year.

***Estimated Resources*** The County Budget Commission determines if the tax budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources that states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources can be further amended during the year if the Council agrees that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2011.

***Appropriations*** A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year, for the period January 1 to December 31. The appropriation resolution may be supplemented during the year by action of the Council, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

***Lapsing of Appropriations*** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations.

***Encumbrances*** As part of formal budgetary control purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent year expenditures of governmental funds.

***Budgetary Basis of Accounting*** While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary

City of Deer Park  
Hamilton County, Ohio  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2011

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basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for each major governmental fund is 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:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the City's General Fund and major Special Revenue Funds.

	General Fund
GAAP Basis	\$ 59,092
Adjustments:	
Revenue Accruals	143,908
Expenditure Accruals	12,295
Budget Basis	\$ 215,295

**CITY OF DEER PARK**



**Yellow Book Report**

**December 31, 2011**

**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**

Honorable Mayor, City Council  
and City Manager  
City of Deer Park, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deer Park (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 7, 2012 wherein we noted the City adopted GASB Statement No. 54 as disclosed in Note 15. 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 the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as Finding 2011-1 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 as Finding 2011-2.

We noted certain matters that we reported to management of the City in a separate letter dated May 7, 2012.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Auditor of State, City Council and is not intended to be and should not be used by anyone other than these specified parties.

*Plattenburg & Associates, Inc.*  
Plattenburg & Associates, Inc.  
May 7, 2012

**CITY OF DEER PARK  
SCHEDULE OF FINDINGS  
Year Ended December 31, 2011**

**2011–1 Finding Type —Material Weakness—Controls Related to Financial Reporting**

During the course of our audit, we identified certain material misstatements requiring audit adjustments in the financial statements that were not identified by the City's internal control over financial reporting. Throughout the year, the City maintains its books and records on the cash basis of accounting and converts its financial statements at year end to generally accepted accounting principles. The audit adjustment was necessary to correct misstatements that were not prevented, or detected and corrected on a timely basis by the City's conversion process. A description of the adjustments follows.

*Overstatement of Invested in Capital Assets, Net of Related Debt*

Accreted interest and Non-capital related debt were included in the calculation of Invested in Capital Assets, Net of Related Debt resulting in overstatement on the City's Statement of Net Assets.

*Improper Recognition of Revenue for Expenditure Driven Grant Transactions*

The City's expenditure driven grant transactions involve on-behalf payments made directly to contractors by third party governmental entities. In the case of the on-behalf payments applicable to the City of Deer Park, some of the actual payments to the contractor were made outside the available period and therefore those payments should not be recognized as revenue. A second reason the revenue associated with these payments should not be recognized at year end involves the timing of fulfillment of eligibility requirements. The City has not met all eligibility requirements until the on-behalf payments are actually made.

Paragraph 11 of National Council on Governmental Accounting (NCGA) Statement 2 , Grant, Entitlement, and Shared Revenue Accounting by State and Local Governments, required that all grants, including expenditure-driven grants, be recognized as revenue in governmental funds only when "both measurable and available" (as defined in paragraph 62 of NCGA Statement 1 , Governmental Accounting and Financial Reporting Principles, as amended). For expenditure-driven grants, it added an additional requirement that "... revenues should be recognized when the expenditure is made." Subparagraph 30d of GASB Statement 33 further clarified revenue recognition by stating that revenues should be recognized "in the period when all applicable eligibility requirements have been met and the resources are available."

*Overstatement of Intergovernmental Receivable/Understatement of Contracts Payable*

Receivables and payables were accrued on the City's financial statements for on-behalf payments that were made to the contractor prior to December 31, 2011.

### Unrecorded Retainage Payable

Retainage payable to contractors was not recognized at year end resulting in misstatement of liabilities and expenditures/expenses.

### Improper Revenue Classification

Homestead and Rollback receipts were posted to property taxes revenue rather than intergovernmental revenue resulting in a material misstatement on the financial statements for the general fund.

### **Recommendation:**

Implementation of review procedures related to financial reporting will help ensure all accounts and disclosures are accurately and properly reported in the financial statements.

### **Management Response:**

Management concurs with the finding. Additionally, management wishes to emphasize that all of the items reported in connection with Finding 2011-1 (except for the posting of Homestead and Rollback revenue as property tax revenue instead of intergovernmental revenue, which resulted in a reclassification of revenue from one revenue line item to another) are related to the process at year end by which the City converts its cash-basis accounting records into financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). Accordingly, this finding does not represent the misappropriation of assets or intentional misstatements. This finding does represent various accrual adjustments and cash basis reclassifications (as in the case of the Homestead and Rollback revenue) made to the City's GAAP financial statements.

Management will evaluate and modify certain procedures and controls over the conversion of the cash-basis records into GAAP financial statements to reduce the possibility of future adjustments and reclassifications.

### **2011–2 Finding Type —Material Noncompliance at the Financial Statement Level—Ohio Revised Code § 5705.41(D) Failure to Properly Encumber**

Ohio Revised Code § 5705.41D states that no expenditure is 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. For the year ended December 31, 2011 approximately ninety percent of expenditures tested were not properly certified prior to incurring the obligation. Failure to properly certify funds could result in overspending funds.

**Recommendation:**

For virtually all purchases, the City's disbursement system does not include procedures for certifying and encumbering disbursements prior to making the commitment to expend funds. Properly certifying and encumbering disbursements results in not only compliance with the Ohio Revised Code, but yields significant improvement in controlling spending as well.

**Management Response:**

Management concurs with the finding.

Management will analyze the incremental benefits and incremental costs associated with implementing the changes that would be required to bring the City in compliance with Ohio Revised Code Section 5705.41(D).

**Summary of Prior Audit Findings****2010-1 Finding Type —Material Weakness—Controls Related to Financial Reporting**

Status —not corrected; reissued as Finding 2011-1

**2010-2 Finding Type —Material Noncompliance at the Financial Statement Level—Ohio Revised Code § 5705.41(D) Failure to Properly Encumber**

Status —not corrected; reissued as Finding 2011-2



# Dave Yost • Auditor of State

**CITY OF DEER PARK**

**HAMILTON 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  
JULY 19, 2012**