

**CITY OF DEER PARK**



**Basic Financial Statements**

**December 31, 2012**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Deer Park, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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

June 20, 2013

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 17 to the financial statements, in 2012, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–10 and 42–44 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2013, on our consideration of the City's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Cincinnati, Ohio

May 20, 2013

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
(Unaudited)  
For the Year Ended December 31, 2012

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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, 2012.

**FINANCIAL HIGHLIGHTS**

- The City's total net position increased \$445,128. Net position of governmental activities increased \$445,372, net position of business-type activities decreased by \$244.
- The General Fund reported a net change in fund balance of \$83,863.
- Business-type operations reflected operating losses of \$244.

**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 Position 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 Position and the Statement of Activities*

The analysis of the City as a whole begins with the Statement of Net Position 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 2012?" The Statement of Net Position 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 position and the change in net position. This change in net position 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, 2012

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In the Statement of Net Position 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, Dalton Avenue Capital Projects Fund and Bond Retirement 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, 2012

**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 Position. 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 Position, Statement of Activities, and fund financial statements.

**THE CITY AS A WHOLE**

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to 2011.

TABLE 1 - NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and Other Assets	\$ 4,017,558	\$ 3,908,474	\$ (6,055)	\$ (8,668)	\$ 4,011,503	\$ 3,899,806
Capital Assets, Net	4,279,453	3,994,547	4,223	7,045	4,283,676	4,001,592
Total Assets	8,297,011	7,903,021	(1,832)	(1,623)	8,295,179	7,901,398
<b>Liabilities</b>						
Current and Other Liabilities	1,616,427	1,594,935	26,401	26,366	1,642,828	1,621,301
Long-Term Liabilities	2,663,950	2,736,824	-	-	2,663,950	2,736,824
Total Liabilities	4,280,377	4,331,759	26,401	26,366	4,306,778	4,358,125
<b>Net Position</b>						
Net Investment in Capital						
Assets	2,011,270	1,600,346	4,223	7,045	2,015,493	1,607,391
Restricted	429,277	516,339	-	-	429,277	516,339
Unrestricted	1,576,087	1,454,577	(32,456)	(35,034)	1,543,631	1,419,543
Total Net Position	\$ 4,016,634	\$ 3,571,262	\$ (28,233)	\$ (27,989)	\$ 3,988,401	\$ 3,543,273

Total net position, of the City as a whole, increased \$445,128. Net position of the City's governmental activities increased \$445,372, while the net position of the City's business-type activities decreased \$244 from 2011. The City had an unrestricted net position balance of \$1,576,087 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, 2012

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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 80% 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.

The change in net position for 2012 and 2011 is outlined in Table 2.

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
(Unaudited)  
For the Year Ended December 31, 2012

TABLE 2 - CHANGES IN NET POSITION

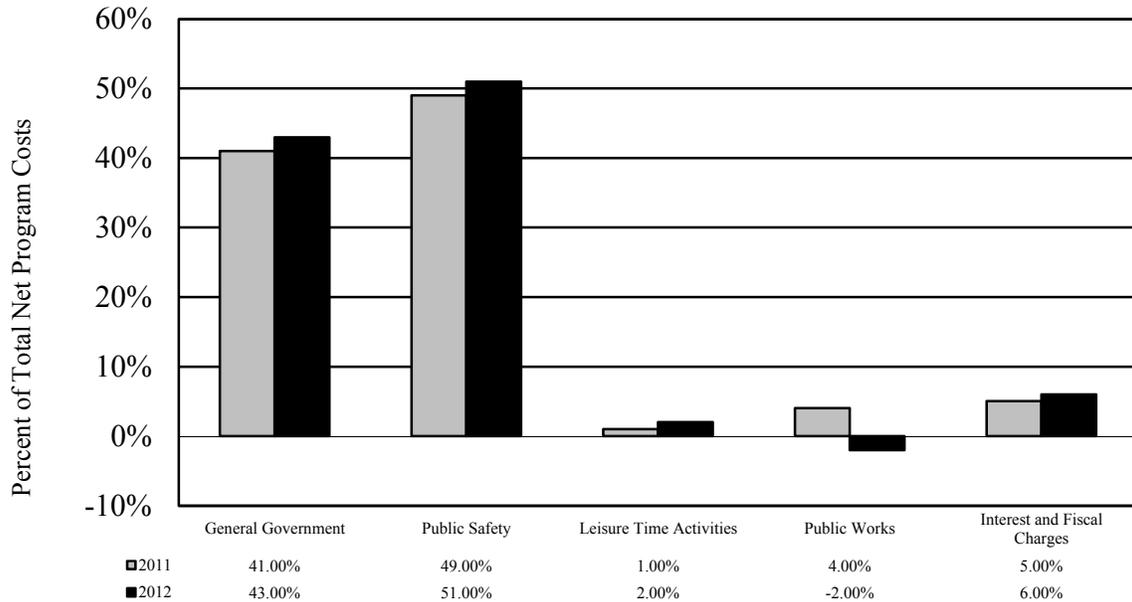
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 172,298	\$ 219,785	\$ 342,205	\$ 344,287	\$ 514,503	\$ 564,072
Operating Grants and Contributions	15,381	26,885	-	-	15,381	26,885
Capital Grants and Contributions	526,449	316,153	-	-	526,449	316,153
<b>Total Program Revenues</b>	<b>714,128</b>	<b>562,823</b>	<b>342,205</b>	<b>344,287</b>	<b>1,056,333</b>	<b>907,110</b>
<b>General Revenues</b>						
Income Taxes	1,111,918	1,159,107	-	-	1,111,918	1,159,107
Property Taxes	949,327	988,970	-	-	949,327	988,970
Unrestricted Contributions	525,673	601,879	-	-	525,673	601,879
Investment Earnings	3,358	3,916	-	-	3,358	3,916
<b>Total General Revenues</b>	<b>2,590,276</b>	<b>2,753,872</b>	<b>-</b>	<b>-</b>	<b>2,590,276</b>	<b>2,753,872</b>
<b>Total Revenues</b>	<b>3,304,404</b>	<b>3,316,695</b>	<b>342,205</b>	<b>344,287</b>	<b>3,646,609</b>	<b>3,660,982</b>
<b>Program Expenses</b>						
General Government	1,040,697	1,152,178	-	-	1,040,697	1,152,178
Public Safety	1,137,518	1,253,489	-	-	1,137,518	1,253,489
Public Works	483,839	407,291	-	-	483,839	407,291
Leisure Time Activities	62,913	55,088	-	-	62,913	55,088
Community Development	4,055	3,867	-	-	4,055	3,867
Interest and Fiscal Charges	130,010	131,829	-	-	130,010	131,829
Waste Collection and Disposal	-	-	342,449	327,132	342,449	327,132
<b>Total Expenses</b>	<b>2,859,032</b>	<b>3,003,742</b>	<b>342,449</b>	<b>327,132</b>	<b>3,201,481</b>	<b>3,330,874</b>
<b>Increase in Net Position</b>	<b>445,372</b>	<b>312,953</b>	<b>(244)</b>	<b>17,155</b>	<b>445,128</b>	<b>330,108</b>
<b>Net Position Beginning 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>
<b>Net Position End of Year</b>	<b>\$ 4,016,634</b>	<b>\$ 3,571,262</b>	<b>\$ (28,233)</b>	<b>\$ (27,989)</b>	<b>\$ 3,988,401</b>	<b>\$ 3,543,273</b>

When looking at the sources of income to support operations, it should be noted that charges for services are only 5% of revenue, while 62% 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, 2012

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Net program cost for 2012 and 2011 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 \$342,205 and operating expenses of \$342,449 for 2012. Business activities receive no support from tax revenues. The business activities net position at the end of the year was (\$28,233), which decreased \$244 from 2012. 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 \$3,369,817 and expenditures of \$3,314,786.

Total fund balance increased for 2012 compared to 2011 by \$114,882.

The City has three major governmental funds. Assets of the major funds comprise 84% of governmental fund total assets.

City of Deer Park  
Hamilton County, Ohio  
Management's Discussion and Analysis  
(Unaudited)  
For the Year Ended December 31, 2012

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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 2012, there were no major revisions to the General fund budget. Actual revenues were slightly over the final budget and actual expenditures plus encumbrances were 5% under final budget amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

TABLE 3 - Net Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2010
Land	\$ 286,445	\$ 286,445	\$ -	\$ -	\$ 286,445	\$ 286,445
Buildings and Improvements	2,058,815	2,123,762	-	-	2,058,815	2,123,762
Equipment	230,225	239,080	4,223	7,045	234,448	246,125
Infrastructure	1,337,039	925,672	-	-	1,337,039	925,672
Construction in process	366,929	419,588	-	-	366,929	419,588
<b>Total Net Capital Assets</b>	<b>\$ 4,279,453</b>	<b>\$ 3,994,547</b>	<b>\$ 4,223</b>	<b>\$ 7,045</b>	<b>\$ 4,283,676</b>	<b>\$ 4,001,592</b>

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, 2012

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*Debt*

At December 31, 2012, the City had \$2,150,000 in un-voted general obligation bonds.

Table 4 - Outstanding Debt at Year End

	2012	2011
Governmental Activities		
Current Interest Bonds		
Municipal Building	\$ 2,000,000	\$ 2,220,000
Capital Appreciation Bonds		
Municipal Building	150,000	30,000
Total Debt	\$ 2,150,000	\$ 2,250,000

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 Position  
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 1,881,616	\$ 86,402	\$ 1,968,018
Receivables (net of allowance for doubtful accounts)			
Taxes-Real & Personal Property	937,303	-	937,303
Special Assessments	2,400	-	2,400
Taxes-Income	514,318	-	514,318
Accounts	21,473	17,870	39,343
Intergovernmental	498,991	-	498,991
Internal Balances	110,327	(110,327)	-
Deferred Bond Issuance Costs	51,130	-	51,130
Nondepreciable Capital Assets	653,374	-	653,374
Depreciable Capital Assets, Net	3,626,079	4,223	3,630,302
<b>Total Assets</b>	<b>8,297,011</b>	<b>(1,832)</b>	<b>8,295,179</b>
<b>Liabilities</b>			
Accounts Payable	40,996	25,514	66,510
Contracts Payable	420,975	-	420,975
Retainage Payable	22,156	-	22,156
Accrued Wages and Benefits	98,159	887	99,046
Accrued Interest Payable	40,238	-	40,238
Other Accrued Liabilities	105,903	-	105,903
Unearned Revenue	888,000	-	888,000
Long-Term Liabilities Due Within 1 year	218,843	-	218,843
Long-Term Liabilities Due Over 1 year	2,445,107	-	2,445,107
<b>Total Liabilities</b>	<b>4,280,377</b>	<b>26,401</b>	<b>4,306,778</b>
<b>Net Position</b>			
Net Investment in Capital Assets	2,011,270	4,223	2,015,493
Restricted for			
Public Safety	52,807	-	52,807
Roads	289,542	-	289,542
Culture and Recreation	86,928	-	86,928
Unrestricted	1,576,087	(32,456)	1,543,631
<b>Total Net Position</b>	<b>\$ 4,016,634</b>	<b>\$ (28,233)</b>	<b>\$ 3,988,401</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, 2012

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 1,040,697	\$ 125,136	\$ -	\$ -	\$ (915,561)	\$ -	\$ (915,561)
Public Safety	1,137,518	45,869	-	-	(1,091,649)	-	(1,091,649)
Leisure Time Activities	62,913	-	15,381	-	(47,532)	-	(47,532)
Community Development	4,055	-	-	-	(4,055)	-	(4,055)
Public Works	483,839	1,293	-	526,449	43,903	-	43,903
Interest and Fiscal Charges	130,010	-	-	-	(130,010)	-	(130,010)
<b>Total Governmental Activities</b>	<b>2,859,032</b>	<b>172,298</b>	<b>15,381</b>	<b>526,449</b>	<b>(2,144,904)</b>	<b>-</b>	<b>(2,144,904)</b>
<b>Business Type Activities:</b>							
Waste Collection and Disposal	342,449	342,205	-	-	-	(244)	(244)
<b>Totals</b>	<b>\$ 3,201,481</b>	<b>\$ 514,503</b>	<b>\$ 15,381</b>	<b>\$ 526,449</b>	<b>\$ (2,144,904)</b>	<b>\$ (244)</b>	<b>\$ (2,145,148)</b>

<b>General Revenues</b>			
Income Taxes	\$ 1,111,918	\$ -	\$ 1,111,918
Property Taxes Levied for:			
General Purposes	924,641	-	924,641
Public Safety	24,686	-	24,686
Unrestricted Contributions	525,673	-	525,673
Investment Earnings	3,358	-	3,358
<b>Total General Revenues</b>	<b>2,590,276</b>	<b>-</b>	<b>2,590,276</b>
Change in Net Position	445,372	(244)	445,128
Net Position Beginning of Year	3,571,262	(27,989)	3,543,273
Net Position End of Year	<b>\$ 4,016,634</b>	<b>\$ (28,233)</b>	<b>\$ 3,988,401</b>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Balance Sheet  
Governmental Funds  
December 31, 2012

	General Fund	Dalton Avenue Capital Project Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 1,444,225	\$ 129,718	\$ -	\$ 307,673	\$ 1,881,616
<b>Receivables:</b>					
Taxes - Property	913,291	-	-	24,012	937,303
Taxes - Income	514,318	-	-	-	514,318
Special Assessments	2,400	-	-	-	2,400
Accounts	21,473	-	-	-	21,473
Intergovernmental	112,679	255,176	-	131,136	498,991
Due from other fund	110,327	-	-	-	110,327
<b>Total Assets</b>	<b>\$ 3,118,713</b>	<b>\$ 384,894</b>	<b>\$ -</b>	<b>\$ 462,821</b>	<b>\$ 3,966,428</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 38,323	\$ -	\$ -	\$ 2,673	\$ 40,996
Retainage Payable	-	22,156	-	-	22,156
Contracts Payable	-	420,975	-	-	420,975
Accrued Wages and Benefits	89,888	-	-	8,271	98,159
Other Accrued Liabilities	105,903	-	-	-	105,903
Deferred Revenue	1,384,829	65,000	-	111,986	1,561,815
<b>Total Liabilities</b>	<b>1,618,943</b>	<b>508,131</b>	<b>-</b>	<b>122,930</b>	<b>2,250,004</b>
<b>Fund Balances</b>					
<b>Restricted:</b>					
Public Safety	-	-	-	49,745	49,745
Roads	-	-	-	203,218	203,218
Recycling	-	-	-	959	959
Recreation	-	-	-	85,969	85,969
<b>Assigned:</b>					
General Government	199,013	-	-	-	199,013
Unassigned	1,300,757	(123,237)	-	-	1,177,520
<b>Total Fund Balances</b>	<b>1,499,770</b>	<b>(123,237)</b>	<b>-</b>	<b>339,891</b>	<b>1,716,424</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,118,713</b>	<b>\$ 384,894</b>	<b>\$ -</b>	<b>\$ 462,821</b>	<b>\$ 3,966,428</b>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2012

Total Governmental Fund Balances \$ 1,716,424

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	286,445	
Construction in Progress	366,929	
Other Capital Assets	4,820,401	
Accumulated depreciation	<u>(1,194,322)</u>	4,279,453

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Income Taxes	383,500	
Delinquent Property Taxes	51,703	
Intergovernmental and Other Revenues	<u>238,612</u>	673,815

In the statement of net position 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.

Accrued Interest Payable	(40,238)	
Accreted Interest	<u>(131,740)</u>	(171,978)

Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in the governmental funds.

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Due to Other Governments	(84,481)	
Long-Term Note Payable	(118,183)	
Bonds	(2,150,000)	
Compensated Absences	(128,416)	
Premium on Bonds	(236,112)	
Unamortized Bond Issuance Costs	51,130	
Deferred Loss on Refunding	<u>184,982</u>	(2,481,080)

Net Position of Governmental Activities \$ 4,016,634

City of Deer Park  
Hamilton County, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2012

	General Fund	Dalton Avenue Capital Project Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 2,000,668	\$ -	\$ -	\$ 23,974	\$ 2,024,642
Charges for Services	95,333	-	-	1,914	97,247
Contributions and Donations	-	-	-	30	30
Fines, Licenses & Permits	71,145	-	-	3,906	75,051
Investment Earnings	3,295	-	-	63	3,358
Intergovernmental	281,646	359,995	-	512,497	1,154,138
Other Revenues	-	-	-	15,351	15,351
<b>Total Revenues</b>	<b>2,452,087</b>	<b>359,995</b>	<b>-</b>	<b>557,735</b>	<b>3,369,817</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	956,459	-	-	-	956,459
Public Safety	1,137,386	-	-	4,040	1,141,426
Leisure Time Activities	35,270	-	-	26,064	61,334
Community Development	479	-	-	3,576	4,055
Transportation and Street Repair	32,114	194,963	-	206,074	433,151
Capital Outlay	870	288,269	-	170,225	459,364
<b>Debt Service</b>					
Principal Retirement	26,018	-	100,000	-	126,018
Interest and Fiscal Charges	745	-	78,883	-	79,628
Refunding Bond Issuance Costs	-	-	53,351	-	53,351
<b>Total Expenditures</b>	<b>2,189,341</b>	<b>483,232</b>	<b>232,234</b>	<b>409,979</b>	<b>3,314,786</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	262,746	(123,237)	(232,234)	147,756	55,031
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	178,883	122,858	301,741
Transfers Out	(178,883)	-	-	(122,858)	(301,741)
Refunding Bonds Issued	-	-	2,120,000	-	2,120,000
Payment to Refunded Bond Escrow Agent	-	-	(2,313,027)	-	(2,313,027)
Premium on Refunded Bonds	-	-	246,378	-	246,378
Proceeds From Sale of Capital Assets	-	-	-	6,500	6,500
<b>Total Other Financing Sources (Uses)</b>	<b>(178,883)</b>	<b>-</b>	<b>232,234</b>	<b>6,500</b>	<b>59,851</b>
<b>Net Change in Fund Balances</b>	<b>83,863</b>	<b>(123,237)</b>	<b>-</b>	<b>154,256</b>	<b>114,882</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,415,907</b>	<b>-</b>	<b>-</b>	<b>185,635</b>	<b>1,601,542</b>
<b>Fund Balances at End of Year</b>	<b>\$ 1,499,770</b>	<b>\$ (123,237)</b>	<b>\$ -</b>	<b>\$ 339,891</b>	<b>\$ 1,716,424</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, 2012

Net Change in Fund Balances - Total Governmental Funds		\$ 114,882
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 depreciation expense exceeded capital outlays in the current period.		
	284,906	
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	12,700	
Delinquent Property Taxes	25,303	
Intergovernmental and Other Revenues	<u>(103,416)</u>	(65,413)
Governmental funds report premiums, discounts, and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities.		
Amortization of Deferred Loss on Refunding	(8,045)	
Amortization of Bond Issuance Costs	(2,221)	
Bond Issuance Costs	53,351	
Bond Premiums on Issue	(246,378)	
Amortization of Bond Premiums	<u>10,266</u>	(193,027)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Issuance of General Obligation Bonds	(2,120,000)	
Payment to Escrow Agent for Refunding	<u>2,313,027</u>	193,027
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Payments on Obligation to Other Governments	7,679	
Principal Payments on Capital Lease Obligation	18,856	
Payments on OPWC Note Payable	7,162	
Bond Principal Retirement	<u>100,000</u>	133,697
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
		(50,382)
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>27,682</u>
Change in Net Position of Governmental Activities		<u>\$ 445,372</u>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Statement of Net Position - Proprietary Fund  
December 31, 2012

	Waste Collection and Disposal
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 86,402
Receivables:	
Accounts	17,870
Total Current Assets	104,272
Depreciable Capital Assets, Net	4,223
Total Assets	108,495
<b>Liabilities</b>	
Accounts Payable	25,514
Accrued Wages and Benefits	887
Due to Other Fund	110,327
Total Liabilities	136,728
<b>Net Position</b>	
Net Investment in Capital Assets	4,223
Unrestricted	(32,456)
Total Net Position	\$ (28,233)

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Statement of Revenues,  
Expenses and Changes in Fund Net Position - Proprietary Fund  
For the Year Ended December 31, 2012

	Waste Collection and Disposal
Operating Revenues	
Charges for Services	\$ 342,205
Total Operating Revenues	342,205
Operating Expenses	
Contractual Services	339,627
Depreciation	2,822
Total Operating Expenses	342,449
Change in Net Position	(244)
Net Position Beginning of Year	(27,989)
Net Position End of Year	\$ (28,233)

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, 2012

	Waste Collection and Disposal
Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 345,855
Payments to Employees	(31,206)
Payments to Suppliers	(308,386)
Net Cash Provided by Operating Activities	6,263
Cash and Cash Equivalents Beginning of Year	80,139
Cash and Cash Equivalents End of Year	\$ 86,402
Reconciliation of Operating Income to Net Cash	
Used by Operating Activities	
Operating Income	\$ (244)
Adjustments to Reconcile Operating Income to Net Cash	
Used by Operating Activities:	
Depreciation Expense	2,822
Decrease in Accounts Receivable	3,650
Increase in Accrued Liabilities	35
Net Cash Provided by Operating Activities	\$ 6,263

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Statement of Fiduciary Net Position - Fiduciary Fund  
December 31, 2012

	<u>Agency</u>
Assets	
Equity Pooled in Cash and Cash Equivalents	<u>\$          3,488</u>
Total Assets	<u><u>\$          3,488</u></u>
Liabilities	
Due to Other Governments	<u>\$          3,488</u>
Total Liabilities	<u><u>\$          3,488</u></u>

See accompanying notes to the basic financial statements

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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**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 organization. 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 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 position 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 position 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 inter-fund activity has been removed from

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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

The statement of net position 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.

#### ***Dalton Avenue Capital Project Fund***

To account for receipts and disbursements related to improvements along Dalton Avenue in the City.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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***Bond Retirement Fund***

To account for the receipts and disbursements related to the City's debt.

***Proprietary Funds***

Proprietary fund reporting focuses on changes in net position, 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 position and changes in net position. 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 Position. 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, 2012

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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, 2012, but which were levied to finance year 2013 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, 2012

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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 position and the governmental fund balance sheet.

Interest is distributed according to Ohio statutes. Interest revenue credited to the general fund during 2012 amounted to \$3,295.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2012, 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 position 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 position 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, 2012

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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 position.

***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 position.

***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, 2012

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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 Position***

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its 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 position is 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 position.

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, 2012

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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, 2012

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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 \$1,968,018 at December 31, 2012 as summarized below:

Deposits With Financial Institutions	\$ 1,803,663
STAROhio	<u>164,355</u>
Total Cash and Investments	<u><u>\$ 1,968,018</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, \$1,511,557 of the City's bank balance of \$2,011,784 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, 2012, the City had \$164,355 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, 2012

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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, 2012 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 2012 for real and public utility property taxes represents collections of the 2011 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35% of appraised market value. 2012 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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The assessed values of real and personal property upon which 2012 property tax receipts were based are as follows:

Real Property – Residential & Agricultural	\$82,458,000
Real Property – Commercial, Industrial & Other	15,897,750
Public Utility (Personal Property)	<u>5,404,520</u>
Total Valuation	<u><u>\$103,760,270</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 Districts 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, 2012 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, 2012

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property tax collections for the next year are measurable, they were not levied to finance 2012 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, 2012

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**Note 7 - Capital Assets**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance 1/1/2012	Additions	Deductions	Balance 12/31/2012
<b>Governmental Activities</b>				
Capital Assets, not being depreciated:				
Land	\$ 286,445	\$ -	\$ -	\$ 286,445
Construction in Progress	419,588	366,929	419,588	366,929
	<u>706,033</u>	<u>366,929</u>	<u>419,588.00</u>	<u>653,374</u>
Capital Assets, being depreciated:				
Buildings and Improvements	2,684,278	-	-	2,684,278
Machinery and Equipment	647,048	44,764	48,270	643,542
Infrastructure	1,033,766	458,815	-	1,492,581
	<u>4,365,092</u>	<u>503,579</u>	<u>48,270</u>	<u>4,820,401</u>
<b>Total Assets at Historical Cost</b>	<u>5,071,125</u>	<u>870,508</u>	<u>467,858</u>	<u>5,473,775</u>
Less Accumulated Depreciation:				
Buildings and Improvements	560,516	64,947	-	625,463
Machinery and Equipment	407,968	44,307	38,958	413,317
Infrastructure	108,094	47,448	-	155,542
	<u>1,076,578</u>	<u>156,702</u>	<u>38,958</u>	<u>1,194,322</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 3,994,547</u>	<u>\$ 713,806</u>	<u>\$ 428,900</u>	<u>\$ 4,279,453</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	126,026	2,822	-	128,848
<b>Total Accumulated Depreciation</b>	<u>126,026</u>	<u>2,822</u>	<u>-</u>	<u>128,848</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 7,045</u>	<u>\$ (2,822)</u>	<u>\$ -</u>	<u>\$ 4,223</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 91,557
Public Safety	15,410
Leisure Time Activities	1,579
Public Works	48,156
	<u>156,702</u>
	<u>\$ 156,702</u>

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

**Note 8 - Long-Term Obligations**

A schedule of changes in bonds and other long-term obligations of the City during 2012 follows:

	Amount Outstanding 1/1/2012	Additions	Deletions	Amount Outstanding 12/31/2012	Amounts Due in One Year
Governmental Activities					
Unvoted General Obligation Bonds					
Current Interest Bonds					
Interest Varies from 3.50%					
Municipal Building	\$ 2,220,000	\$ -	\$ 2,220,000	\$ -	\$ -
Current Interest Bonds					
Interest Varies from 2.00%					
Municipal Building	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 35,000
Capital Appreciation Bonds					
Interest Varies from 3.50%					
Municipal Building	30,000	-	-	30,000	16,902
Interest Varies from 2.90%					
Municipal Building	-	120,000	-	120,000	-
Premium	-	246,378	10,266	236,112	-
Deferred Loss on Refunding	-	(193,027)	(8,045)	(184,982)	-
Total Long-Term Bond - Principal	2,250,000	2,173,351	2,222,221	2,201,130	51,902
Accreted Interest	94,365	37,375	-	131,740	68,811
Accreted Interest and Total Long-Term Bonds - Principal	2,344,365	2,210,726	2,222,221	2,332,870	120,713
Other Long-Term Obligations					
Due to Other Governments	92,160	-	7,679	84,481	7,679
OPWC Note Payable	125,345	-	7,162	118,183	7,162
Capital Lease Obligation	18,856	-	18,856	-	-
Compensated Absences	156,098	64,417	92,099	128,416	83,289
Total Other Long-Term Obligations	392,459	64,417	125,796	331,080	98,130
Total Governmental Activities	\$ 2,736,824	\$ 2,275,143	\$ 2,348,017	\$ 2,663,950	\$ 218,843

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.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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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 position as depreciable capital assets and was \$80,735 at December 31, 2012. Accumulated depreciation of the leased equipment at December 31, 2012 was \$36,331. Depreciation 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.

Principal and interest requirements to retire the long-term debt obligations at December 31, 2012, are as follows:

Year Ending December 31	Capital Appreciation Bonds - 2004		Capital Appreciation Bonds - 2012	
	Principal	Interest	Principal	Interest
2013	\$ 16,902	\$ 88,098	\$ -	\$ -
2014	13,098	86,902	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018-2022	-	-	120,000	330,000
2023-2027	-	-	-	-
2028-2029	-	-	-	-
<b>Total</b>	<b>\$ 30,000</b>	<b>\$ 175,000</b>	<b>\$ 120,000</b>	<b>\$ 330,000</b>

Year Ending December 31	Bonds - 2012		Total	
	Principal	Interest	Principal	Interest
2013	\$ 35,000	\$ 53,651	\$ 51,902	\$ 141,749
2014	35,000	55,775	48,098	142,677
2015	150,000	55,075	150,000	55,075
2016	140,000	52,075	140,000	52,075
2017	145,000	49,275	145,000	49,275
2018-2022	305,000	219,875	425,000	549,875
2023-2027	820,000	144,553	820,000	144,553
2028-2029	370,000	19,600	370,000	19,600
<b>Total</b>	<b>\$ 2,000,000</b>	<b>\$ 649,879</b>	<b>\$ 2,150,000</b>	<b>\$ 1,154,879</b>

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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Principal and interest requirements to retire the note payable at December 31, 2012, are as follows:

Year Ending December 31	Principal	Interest
2013	\$ 7,162	\$ -
2014	7,162	-
2015	7,162	-
2016	7,162	-
2017	7,162	-
2018-2022	35,810	-
2023-2027	35,810	-
2028-2029	10,753	-
Total	\$ 118,183	\$ -

**Note 9 – Defeased Debt**

On April 19, 2012, the City issued general obligation bonds of \$2,120,000 (par value) with varying coupon rates of 2.00% - 3.50% and an all-inclusive-cost (AIC) rate of 3.27% to advance refund previously issued bonds with varying coupon rates of 2.75% – 5.00% and a total par value of \$2,120,000. The defeased bonds mature on various dates through April 1, 2029, and are callable on April 1, 2014.

The general obligation bonds were issued at a premium of \$246,378, and after paying issuance costs of \$53,351, the net proceeds were \$2,313,027. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. The refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the City’s government-wide financial statements. As a result of the advance refunding, the City reduced its total debt service requirements by \$152,046 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$117,911.

**Note 10 - 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.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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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 2012, 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 2012 member contribution rates were 10% for members in state and local classifications. Public safety members contributed 11.5%.

The 2012 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 2012 was 18.10%. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012.

The City's required contributions to OPERS for the years ended December 31, 2012, 2011, and 2010 were \$88,538, \$96,383, and \$108,010, respectively, equal to the required contributions for each year. The full amount has been contributed for 2010, 2011 and 2012.

### ***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 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, 2012, 2011, and 2010 were \$141,706, \$153,356, and \$141,498, respectively. The full amount has been contributed for 2010, 2011 and 2012.

### **Note 11 - 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*.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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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.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, 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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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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 \$25,297, \$34,592 and \$45,562 for 2012, 2011 and 2010, respectively.

D. OPERS Retirement Board Implements its Health Care Preservation Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

***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 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.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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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, 2012, 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 \$49,030, \$53,061 and \$48,958 for 2012, 2011 and 2010, respectively.

**Note 12 – Interfund Activity**

***Advances:***

Advances From/Advances To balances at December 31, 2012, 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.

***Transfers:***

During 2012, the Municipal Motor Vehicle License Tax Special Revenue Fund transferred \$122,858 to the Hemphill Avenue Capital Projects Fund to provide resources for transportation and roadway related project expenditures along Hemphill Avenue. This transfer was made in accordance with the applicable sections of the Ohio Revised Code as Motor Vehicle License Taxes are intended to be used for transportation purposes.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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**Note 13 – Joint Venture**

The City is a member of the Deer Park-Silverton Joint Fire District, 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 District 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 District 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 District. The City has an ongoing financial responsibility, because the continued existence of the joint venture depends on the City's contributions. The Joint Fire District is not accumulating significant financial resources or experiencing fiscal distress that may cause additional burden to the City.

**Note 14 – 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 15 – Compliance and 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 Dalton Avenue Capital Project Fund that is the result of recognizing payables and receivables on the modified accrual basis of accounting.

City of Deer Park  
Hamilton County, Ohio  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2012

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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 \$105,903 is a good and sufficient provision for incurred but not reported claims as of December 31, 2012. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$105,903 reported at December 31, 2012, 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 three 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
2012	\$ 176,299	\$ 159,292	\$ (229,688)	\$ 105,903

**Note 17 – Implementation of New Accounting Standard**

For the year ended December 31, 2012, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is effective for financial statements for periods beginning after December 15, 2011 and is included in this report. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

## **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, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Taxes	\$ 2,213,500	\$ 2,213,500	\$ 2,129,391	\$ (84,109)
Charges for Services	81,500	81,500	99,267	17,767
Fees, Licenses, and Permits	28,300	28,300	31,986	3,686
Fines and Forfeitures	45,000	45,000	35,107	(9,893)
Intergovernmental	89,900	89,900	164,003	74,103
Interest	4,000	4,000	3,295	(705)
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>2,462,200</b>	<b>2,462,200</b>	<b>2,463,049</b>	<b>849</b>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	1,042,250	1,072,000	1,019,615	52,385
Public Safety	1,163,400	1,184,825	1,146,374	38,451
Leisure Time Activities	36,300	38,300	35,179	3,121
Transportation and Street Repair	141,350	53,175	31,630	21,545
Capital Outlay	1,000	1,000	870	130
<b>Debt Service:</b>				
Principal Retirement and Interest	26,900	26,900	26,753	147
<b>Total Expenditures</b>	<b>2,411,200</b>	<b>2,376,200</b>	<b>2,260,421</b>	<b>115,779</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>51,000</b>	<b>86,000</b>	<b>202,628</b>	<b>116,628</b>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(204,750)	(269,750)	(178,883)	90,867
<b>Total Other Financing Uses</b>	<b>(204,750)</b>	<b>(269,750)</b>	<b>(178,883)</b>	<b>90,867</b>
<b>Net Change in Fund Balance</b>	<b>(153,750)</b>	<b>(183,750)</b>	<b>23,745</b>	<b>207,495</b>
<b>Fund Balance at Beginning of Year</b>	<b>1,420,480</b>	<b>1,420,480</b>	<b>1,420,480</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>\$ 1,266,730</b>	<b>\$ 1,236,730</b>	<b>\$ 1,444,225</b>	<b>\$ 207,495</b>

See accompanying notes to the required supplementary information.

City of Deer Park  
Hamilton County, Ohio  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2012

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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 for each department within each fund and for personal services within each department. 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 2012.

***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. During the current year, the City did not record encumbrances as required by the Ohio Revised Code.

City of Deer Park  
Hamilton County, Ohio  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2012

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**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 basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. 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).

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	\$ 83,863
Adjustments:	
Revenue Accruals	10,962
Expenditure Accruals	(71,080)
	\$ 23,745

**INDEPENDENT AUDITORS' 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, in accordance with the 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 20, 2013, wherein we noted the City adopted GASB Statement No. 63 as disclosed in Note 17.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of audit findings, we identified certain deficiencies in internal control 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 audit findings as Finding 2012-1 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 audit findings as Finding 2012-2.

We noted certain matters that we reported to management of the City in a separate letter dated May 20, 2013.

## **City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of audit findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattensburg & Associates, Inc.*

Plattensburg & Associates, Inc.  
Columbus, Ohio  
May 20, 2013

**CITY OF DEER PARK**  
**SCHEDULE OF AUDIT FINDINGS**  
**Year Ended December 31, 2012**

**2012-1 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.

*Material Misstatement of Assigned Fund Balance*

The City failed to classify as assigned fund balance the amount of the 2013 budget that anticipates use of 2012 year end fund balance.

*Understatement of Intergovernmental Receivable / Understatement of Contracts Payable*

Certain intergovernmental receivables and contracts payables were not recorded on the City's financial statements for as of December 31, 2012.

*Unrecorded Retainage Payable*

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

*Improper Classification of Other Financing Use*

The City improperly classified payments to refunded bond escrow agent as an expenditure rather than an other financing use.

**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 2012-1 are related to the process at year end by which the City converts its cash-basis accounting records to financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). Accordingly, this finding does not represent the misappropriation of assets or intentional misstatements. Rather, this finding involves issues with various accrual adjustments and cash basis reclassifications 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 to 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, 2012 approximately ninety seven 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 and for fiscal year 2013 implemented procedures for certifying and encumbering disbursements.

**SUMMARY OF PRIOR AUDIT FINDINGS**

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

Status —not corrected; reissued as Finding 2012-1

**2011–2 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 2012-2

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# 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 9, 2013**