CITY OF DEER PARK
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2002

Auditor of State
Betty Montgomery

CITY OF DEER PARK
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

City of Deer Park
Hamilton County
7777 Blue Ash Road
Deer Park, Ohio 45236

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Deer Park, Hamilton County, Ohio (the City), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Deer Park, Hamilton County, as of December 31, 2003 and 2002, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Betty Montgomery

Betty Montgomery
Auditor of State

November 4, 2004

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CITY OF DEER PARK, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS:			
Assets:			
Pooled cash and investments	$428,928	$180,936	$1,535,073
Receivables (net of allowance for uncollectible):			
Taxes	556,703	24,594	0
Accounts	13,518	0	0
Intergovernmental	30,262	84,508	0
Fixed assets (net, where applicable of accumulated depreciation)	0	0	0
Amount to be provided for retirement of general long-term obligations	0	0	0
TOTAL ASSETS AND OTHER DEBITS	$1,029,411	$290,038	$1,535,073
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts payable	$28,477	$5,864	$33,825
Accrued wages and benefits	40,988	3,409	0
Interest payable	0	0	35,328
Compensated absences	199	6,895	0
Due to others	0	0	0
Deferred revenue	541,318	101,341	0
Due to other governments	0	0	0
Bond anticipation notes payable	0	0	2,900,000
Total Liabilities	610,982	117,509	2,969,153
Equity and Other Credits:			
Investment in general fixed assets	0	0	0
Retained earnings - unreserved	0	0	0
Fund Balances:			
Unreserved, undesignated	418,429	172,529	(1,434,080)
Total Equity and Other Credits	418,429	172,529	(1,434,080)
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$1,029,411	$290,038	$1,535,073

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
$57,724	$264	$0	$0	$2,202,925
0	0	0	0	581,297
19,169	0	0	0	32,687
0	0	0	0	114,770
58,802	0	2,290,072	0	2,348,874
0	0	0	369,679	369,679
$135,695	$264	$2,290,072	$369,679	$5,650,232
$23,303	$0	$0	$0	$91,469
0	0	0	53,113	97,510
0	0	0	0	35,328
0	0	0	161,196	168,290
0	264	0	0	264
7,487	0	0	0	650,146
0	0	0	155,370	155,370
0	0	0	0	2,900,000
30,790	264	0	369,679	4,098,377
0	0	2,290,072	0	2,290,072
104,905	0	0	0	104,905
0	0	0	0	(843,122)
104,905	0	2,290,072	0	1,551,855
$135,695	$264	$2,290,072	$369,679	$5,650,232

CITY OF DEER PARK, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
REVENUES:				
Taxes	$1,434,191	$23,869	$0	$1,458,060
Fines, licenses and permits	66,908	460	0	67,368
Intergovernmental	94,199	224,423	0	318,622
Special assessments	11,549	0	0	11,549
Donations	1,790	814	0	2,604
Interest	25,448	0	0	25,448
Other	97,996	29,029	210	127,235
Total Revenues	1,732,081	278,595	210	2,010,886
EXPENDITURES:				
Current:				
General government	665,056	3,810	0	668,866
Public safety	1,049,734	1,005	0	1,050,739
Public health and welfare	5,081	0	0	5,081
Leisure time activities	44,608	12,716	0	57,324
Community development	24,323	75	0	24,398
Transportation and street repair	231,371	196,527	21,530	449,428
Capital outlay	0	12,376	1,134,418	1,146,794
Debt service:				
Interest and Fiscal Charges	0	0	35,328	35,328
Total Expenditures	2,020,173	226,509	1,191,276	3,437,958
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(288,092)	52,086	(1,191,066)	(1,427,072)
FUND BALANCES, BEGINNING OF YEAR	706,521	120,443	(243,014)	583,950
FUND BALANCES, END OF YEAR	$418,429	$172,529	($1,434,080)	($843,122)

See accompanying notes.

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CITY OF DEER PARK, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NON-GAAP BASIS ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local taxes	$1,461,000	$1,501,446	$40,446	$27,000	$26,936	($64)
Intergovernmental revenues	130,000	76,249	(53,751)	168,500	209,021	40,521
Donations	0	1,790	1,790	0	0	0
Fines, licenses and permits	66,000	75,065	9,065	1,200	460	(740)
Interest revenue	35,000	25,448	(9,552)	0	0	0
Special assessments	0	11,549	11,549	0	0	0
All other revenues	59,500	109,728	50,228	15,000	16,987	1,987
Total Revenues	1,751,500	1,801,275	49,775	211,700	253,404	41,704
EXPENDITURES:						
Current:						
General government	989,778	686,144	303,634	0	0	0
Public safety	1,066,800	1,048,053	18,747	14,224	6,075	8,149
Public health and welfare	5,100	5,081	19	0	0	0
Leisure time activities	47,500	44,615	2,885	0	0	0
Community development	25,950	24,286	1,664	13,500	0	13,500
Transportation and street repair	288,700	222,886	65,814	194,425	193,404	1,021
Capital outlay	0	0	0	13,900	12,376	1,524
Total Expenditures	2,423,828	2,031,065	392,763	236,049	211,855	24,194
Excess (Deficiency) of Revenues Over (Under) Expenditures	(672,328)	(229,790)	442,538	(24,349)	41,549	65,898
OTHER FINANCING SOURCES (USES):						
Advances - in	291,000	291,000	0	0	0	0
Advances - (out)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	291,000	291,000	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(381,328)	61,210	442,538	(24,349)	41,549	65,898
Fund Balance at Beginning of Year	(812,602)	69,866	882,468	(3,343)	52,678	56,021
Fund Balance at End of Year	($1,193,930)	$131,076	$1,325,006	($27,692)	$94,227	$121,919

See accompanying notes.

Capital Projects Funds			(Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$0	$0	$0	$1,488,000	$1,528,382	$40,382
2,000,000	2,900,000	900,000	2,298,500	3,185,270	886,770
0	0	0	0	1,790	1,790
0	0	0	67,200	75,525	8,325
0	0	0	35,000	25,448	(9,552)
0	0	0	0	11,549	11,549
500	210	(290)	75,000	126,925	51,925
2,000,500	2,900,210	899,710	3,963,700	4,954,889	991,189
0	0	0	989,778	686,144	303,634
0	0	0	1,081,024	1,054,128	26,896
0	0	0	5,100	5,081	19
0	0	0	47,500	44,615	2,885
0	0	0	39,450	24,286	15,164
0	0	0	483,125	416,290	66,835
2,547,072	1,165,352	1,381,720	2,560,972	1,177,728	1,383,244
2,547,072	1,165,352	1,381,720	5,206,949	3,408,272	1,798,677
(546,572)	1,734,858	2,281,430	(1,243,249)	1,546,617	2,789,866
0	0	0	291,000	291,000	0
(291,000)	(291,000)	0	(291,000)	(291,000)	0
(291,000)	(291,000)	0	0	0	0
(837,572)	1,443,858	2,281,430	(1,243,249)	1,546,617	2,789,866
(159,361)	(114,996)	44,365	(975,306)	7,548	982,854
($996,933)	$1,328,862	$2,325,795	($2,218,555)	$1,554,165	$3,772,720

CITY OF DEER PARK, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
OPERATING REVENUES:	
Charges for services	$299,453
Total Operating Revenue	299,453
OPERATING EXPENSES:	
Contractual Services	287,430
Supplies and materials	7,138
Depreciation	16,281
Total Operating Expenses	310,849
NET INCOME (LOSS)	(11,396)
RETAINED EARNINGS BEGINNING OF YEAR	116,301
RETAINED EARNINGS END OF YEAR	$104,905

See accompanying notes.

CITY OF DEER PARK, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
OPERATING ACTIVITIES:	
Operating income (loss)	($11,396)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	16,281
Changes in assets and liabilities:	
(Increase) decrease in receivables	189
Increase (decrease) in accounts payable	(221)
Increase (decrease) in deferred revenue	(897)
Net Cash Provided (Used) by Operating Activities	3,956
NET INCREASE (DECREASE) IN CASH	3,956
CASH BEGINNING OF YEAR	53,768
CASH END OF YEAR	$57,724

See accompanying notes.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Deer Park, Ohio, (the City), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City operates under a seven-member council. An elected City Auditor is responsible for fiscal control of the resources of the City. Services provided by the City include public services, public safety, recreation, and development.

For financial reporting purposes, the City's financial statements include all funds and account groups of the primary government (the City). Potential component units were considered for inclusion in the financial statements. Generally, a component unit is a legally separate organization for which the elected officials of the primary government (i.e. the City) are financially accountable. The City would consider an organization to be a component unit if:

1. The City appoints a voting majority of the organization's governing body; and (a) is able to impose its will on that organization; or (b) there is a potential for the organization to provide specific financial burdens on the City; or

2. The organization is fiscally dependent upon the City; or

3. The nature of the relationship between the City and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the City misleading.

The City included no component units in the financial statements.

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.

B. Basis of Presentation

The financial reporting practices of the City conform to generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are summarized by type in the combined financial statements. The following is a description of the fund types and account groups.

<u>Governmental Fund Types:</u>

<u>General Fund</u> - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

<u>Special Revenue Funds</u> - The special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by city ordinances or federal and state statutes or grant provisions.

<u>Debt Service Funds</u> – The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

<u>Capital Projects Funds</u> - The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

<u>Proprietary Fund Type</u>:

<u>Enterprise Fund</u> - The enterprise fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types:

Agency Fund – The Agency fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Account Groups:

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. Because these assets and obligations are long-term, they are neither spendable resources nor require current appropriation.

General Fixed Assets Account Group - This account group accounts for all fixed assets required for general City purposes, excluding fixed assets of the proprietary fund type.

General Long-Term Obligations Account Group - This account group accounts for long-term obligations of the City, except those accounted for in the proprietary fund type.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The measurement focus of governmental funds is upon the flow of current financial resources. Governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which for City purposes is considered to be 30 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, 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 fiscal 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.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Those revenues considered susceptible to accrual include, but are not limited to, property taxes, franchise taxes, state levied/shared taxes, earnings tax, special assessments, interest revenue, and charges for services.

The proprietary fund's measurement focus is upon the flow of economic resources. The proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

D. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year for the period January 1 to December 31, of the following year. Annual budgets are adopted for all funds.

Estimated Resources - The county budget commission certifies its actions to the City by September 1. As part of this examination the City receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. 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 stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented by City Council during the year, as new information becomes available. (The budget may be revised by management without City Council approval if the revised budget does not exceed total appropriations at the fund level). Appropriations may not exceed estimated resources.

Expenditures may not legally exceed appropriations at the fund level for all budgeted funds. During the year, various supplemental appropriations were necessary.

Unencumbered appropriation balances lapse at year-end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

Encumbrances - The City is required to use the encumbrances method of accounting by Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances and do not represent expenditures or liabilities. The City did not have material outstanding encumbrances at year-end.

Budget Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types are presented on the budgetary basis to provide a relevant comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

* Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

* Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

The adjustments necessary to convert results of operations at the end of the year on the GAAP basis to the budget basis are as follows:

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses		
	General	Special Revenue	Capital Projects
GAAP Basis (as reported)	($393,954)	$52,286	($1,234,295)
Adjustments:			
Revenue Accruals, Net	466,056	(25,191)	2,900,000
Expenditure Accruals, Net	(10,892)	14,454	(221,847)
BUDGET BASIS	$61,210	$41,549	$1,443,858

E. Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group. No depreciation is recorded for general fixed assets.

Fixed assets used in proprietary fund type operations are recorded in the enterprise fund. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Automobiles and trucks	5-20 years
Machinery and equipment	5-20 years
Buildings and improvements	15-40 years

Public domain assets (infrastructure) such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized.

Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value at the time received. Interest on constructed fixed assets is capitalized.

F. Interfund Transactions

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management.

G. Fund Balance Reserves

Reserves indicate portions of fund equity legally segregated for a specific future use and/or not appropriable for expenditures.

H. Compensated Absences

In accordance with GASB Statement No. 16, " Accounting for Compensated Absences", the City records a liability for vacation time and sick leave when the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "compensated absences payable". The remaining portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the Enterprise Fund when earned, and the related liability is reported within the fund.

I. Pooled Cash and Investments

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "Pooled Cash and Investments" on the combined balance sheet.

During the year, investments were limited to STAR Ohio. Investments are reported at fair value, which is based on quoted market prices.

The County has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during the year. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for at year-end.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less are considered to be cash and cash equivalents.

J. Total Columns on Combined Financial Statements

Total columns on the combined financial statements are captioned "Totals Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

K. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the City applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

2. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal property used in business, located in the City. Real property taxes are levied each January 1 on the assessed value listed as of the prior January 1.

Assessed values are established by the County Auditor at 35 percent of appraised market value for real property. A revaluation of all real property is required to be completed every six years, with a statistical update every third year. The last revaluation was completed in 2003. Public utility property taxes on tangible personal property are assessed at true value (generally net book value). Tangible personal property used in business (except public utility business) is assessed at 25 percent of average value for inventories and 25 percent of true value for all other personal property.

The property tax calendar is as follows:

Levy date	April 1, 2002
Lien date	January 1, 2002
Tax bill mailed	January 20, 2003
First installment payment due	February 15, 2003
Second installment payment due	July 15, 2003

The assessed valuation upon which the 2002 levy was based is as follows:

	Assessed Value
Real property (other than public utility)	$86,441,140
Public utility real and personal tangible property	6,709,180
Total Assessed Valuation	$93,150,320

In accordance with NCGA Statement 1 property taxes that are measurable but not available at fiscal year end are recorded as a receivable with the corresponding revenue deferred until available. Delinquent property tax amounts, net of allowance for uncollectibles, are recorded if material in amount.

3. PENSION PLANS

Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Members have a choice of three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP Plan is a cost-sharing multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustment to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City is 13.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2003, 2002 and 2001 were $78,684, $69,524, and $69,278, respectively. The full amount has been contributed for 2002 and 2001 and 75 percent has been contributed for 2003.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215 - 5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police and 24.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for the years ending December 31, 2003, 2002 and 2001 were $120,399, $117,279 and $112,014, respectively. The full amount has been contributed for 2002 and 2001 and 73 percent has been contributed for 2003.

4. POST EMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The current year employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

At year end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The City's actual contributions for the current year, which were used to fund postemployment benefits were $28,522. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were $10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $18.7 billion and $8.7 billion, respectively.

Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during the current year. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for the current year that were used to fund postemployment benefits were $49,919 for police. The OP&F's total health care expenses for the year ended December 31, 2002, (the latest information available) were $141,028,006, which was net of member contributions of $12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

5. NOTES PAYABLE

Notes payable activity for the City for the year ended December 31, 2003 was as follows:

	Balance 1/01/03	Increases	Decreases	Balance 12/31/03
Bond Anticipation Notes:				
Municipal Building, 1.79%	$0	$2,900,000	$0	$2,900,000
Total	$0	$2,900,000	$0	$2,900,000

The notes are shown as a liability of the fund, which received the note proceeds.

6. FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Balance 1/01/03	Additions	Disposals	Balance 12/31/03
Land	$271,835	$ 0	$ 0	$271,835
Buildings and Improvements	228,901	0	0	228,901
Machinery and Equipment	519,887	17,703	0	537,590
Construction in Progress	108,188	1,143,558	0	1,251,746
Total	$1,128,811	$1,161,261	$ 0	$2,290,072

A summary of changes in enterprise fund fixed assets is as follows:

	Balance 12/31/03
Machinery & equipment	$104,853
Accumulated depreciation	(46,051)
Net fixed assets	$58,802

7. CASH AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as Pooled Cash and Investments.

A. Legal Requirements

Statutes require the classification of monies held by the City into three categories. Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such monies must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" monies, those monies, which are not needed for immediate use but which will be needed before the end of the current period of depositories.

State legislation permits interim monies to be deposited or invested in the following securities:

1. 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 and interest by the United States;

2. 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;

3. 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;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;

6. The State Treasurer's investment pool (STAR Ohio);

7. Non-negotiable and negotiable interest bearing time certificates of deposit and savings accounts.

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 that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for 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.

B. Deposits

At year-end, the carrying amount of the City's deposits was $1,824,279 and the bank balance was $2,062,466. Of the bank balance:

1. $202,149 was covered by federal depository insurance.

2. All remaining deposits were covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. The entire amount above is defined by GASB statement No. 3 as being collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

C. Investments:

The Governmental Accounting Standards Board has established risk categories for investments as follows:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Unclassified - Investments in Star Ohio and Money Market Funds are unclassified since they are not evidenced by securities that exist in physical or book entry form.

At year-end the carrying amount and market value of investments were as follows:

Description	Category	Carrying Value/ Fair Value
STAR Ohio	Unclassified	$378,646

8. CONTINGENCIES

The City is a party to various legal proceedings, which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

9. 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 these risks and all other risks of loss, including workers' compensation and employee health and accident insurance.

There have been no significant reductions in insurance coverage from that of prior years and settlements have not exceeded insurance coverage for any of the past three fiscal years.

10. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

	12/31/02	Net Increase	12/31/03
Compensated Absences	$146,055	$15,141	$161,196
Accrued Wages & Benefits	48,029	5,084	53,113
Due to Other Governments	143,240	12,130	155,370
Total	$337,324	$32,355	$369,679

In October of 2001, the City of Deer Park and the City of Silverton jointly entered into a project loan agreement with the Ohio Public Works Commission for the replacement of fire hydrants. The City of Silverton is responsible for the loan payments; however, due to terms pertaining to the Joint Fire District, the City of Deer Park is reimbursing the City of Silverton 70.61% of the loan payments. The amount to be reimbursed by the City of Deer Park is included as "Due to Other Governments" on the combined Balance Sheet.

11. ACCOUNTABILITY AND COMPLIANCE

A. The Capital Projects Fund has a deficit fund balance of ($1,434,080).
B. The Mayor's Court did not distribute fines and fees in a timely manner.
C. The City failed to obtain prior certification of the City Auditor for certain expenditures.

12. JOINT VENTURE

<u>Deer Park-Silverton Joint Fire District</u>

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 affect operations is limited to its representation on the Board. The funding for 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 benefit or burden to the City.

13. SUBSEQUENT EVENTS

On May 12, 2004, the City issued $2,720,000 of Municipal Building Current Interest Bonds which mature in the year 2029. Also on May 12, 2004, the City issued $29,998,800 of Capital Appreciation Bonds which mature in the year 2014.

14. FUTURE FINANCIAL REPORTING

For the reporting period beginning January 1, 2004, the City will be required to report in accordance with Governmental Accounting Standards Board (GASB) Statement #34, Basic Financial Statements – and Management's Discussion and Analysis. Implementation of this Statement will significantly affect the presentation of future financial statements and will include supplementary information, including a management discussion and analysis.

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CITY OF DEER PARK, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS:			
Assets:			
Pooled cash and investments	$367,720	$123,073	$91,215
Receivables (net of allowance for uncollectible):			
Taxes	541,097	24,611	0
Accounts	10,241	0	0
Intergovernmental	67,990	69,767	0
Interfund	291,000	0	0
Fixed assets (net, where applicable of accumulated depreciation)	0	0	0
Other debits:			
Amount to be provided for retirement of general long-term obligations	0	0	0
TOTAL ASSETS AND OTHER DEBITS	$1,278,048	$217,451	$91,215
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts payable	$16,224	$1,578	$43,229
Accrued wages and benefits	46,244	2,889	0
Interfund payable	0	0	291,000
Compensated absences	632	9,763	0
Due to others	0	0	0
Deferred revenue	508,427	82,778	0
Due to other governments	0	0	0
Total Liabilities	571,527	97,008	334,229
Equity and Other Credits:			
Investment in general fixed assets	0	0	0
Retained earnings - unreserved	0	0	0
Fund Balances:			
Unreserved, undesignated	706,521	120,443	(243,014)
Total Equity and Other Credits	706,521	120,443	(243,014)
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$1,278,048	$217,451	$91,215

See accompanying notes.

Propietary Fund Type	Fiduciary Fund Types	Account Groups		Totals
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
$53,768	$264	$0	$0	$636,040
0	0	0	0	565,708
19,358	0	0	0	29,599
0	0	0	0	137,757
0	0	0	0	291,000
75,083	0	1,128,811	0	1,203,894
0	0	0	337,324	337,324
$148,209	$264	$1,128,811	$337,324	$3,201,322
$23,524	$0	$0	$0	$84,555
0	0	0	48,029	97,162
0	0	0	0	291,000
0	0	0	146,055	156,450
0	264	0	0	264
8,384	0	0	0	599,589
0	0	0	143,240	143,240
31,908	264	0	337,324	1,372,260
0	0	1,128,811	0	1,128,811
116,301	0	0	0	116,301
0	0	0	0	583,950
116,301	0	1,128,811	0	1,829,062
$148,209	$264	$1,128,811	$337,324	$3,201,322

CITY OF DEER PARK, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
REVENUES:				
Taxes	$1,490,850	$24,276	$0	$1,515,126
Fines, licenses and permits	65,379	310	0	65,689
Intergovernmental	374,691	198,541	0	573,232
Special assessments	659	0	0	659
Donations	60,000	1,493	185	61,678
Interest	21,152	0	0	21,152
Other	82,087	35,912	0	117,999
Total Revenues	2,094,818	260,532	185	2,355,535
EXPENDITURES:				
Current:				
General government	676,558	182	0	676,740
Public safety	987,179	13,896	0	1,001,075
Public health and welfare	5,037	0	0	5,037
Leisure time activities	44,672	17,512	0	62,184
Community development	23,066	0	0	23,066
Transportation and street repair	190,278	219,102	216,493	625,873
Capital outlay	0	28,211	353,205	381,416
Debt service:				
Interest and Fiscal Charges	0	0	5,140	5,140
Total Expenditures	1,926,790	278,903	574,838	2,780,531
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	168,028	(18,371)	(574,653)	(424,996)
OTHER FINANCING SOURCES (USES):				
Operating transfers - in	0	0	363,174	363,174
Operating transfers - (out)	(363,174)	0	0	(363,174)
Total Other Financing Sources (Uses)	(363,174)	0	363,174	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(195,146)	(18,371)	(211,479)	(424,996)
FUND BALANCES, BEGINNING OF YEAR	901,667	138,814	(31,535)	1,008,946
FUND BALANCES, END OF YEAR	$706,521	$120,443	($243,014)	$583,950

See accompanying notes.

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CITY OF DEER PARK, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NON-GAAP BASIS ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local taxes	$1,456,000	$1,511,412	$55,412	$28,000	$27,580	($420)
Intergovernmental revenues	130,000	386,875	256,875	168,500	180,969	12,469
Donations	0	60,000	60,000	0	0	0
Fines, licenses and permits	66,000	75,396	9,396	600	310	(290)
Interest revenue	50,000	21,152	(28,848)	0	0	0
Special assessments	0	659	659	0	0	0
All other revenues	65,000	82,968	17,968	10,500	16,420	5,920
Total Revenues	1,767,000	2,138,462	371,462	207,600	225,279	17,679
EXPENDITURES:						
Current:						
Public safety	943,245	698,793	244,452	13,692	10,027	3,665
Public health and welfare	5,100	5,037	63	0	0	0
Leisure time activities	46,050	44,618	1,432	0	0	0
Community development	25,400	23,094	2,306	13,500	0	13,500
Transportation and street repair	354,500	337,685	16,815	237,981	219,743	18,238
General government	1,151,245	906,073	245,172	0	0	0
Capital outlay	0	0	0	31,150	28,211	2,939
Debt service:						
Principal	350,000	350,000	0	0	0	0
Interest and fiscal charges	13,940	13,174	766	0	0	0
Total Expenditures	2,889,480	2,378,474	511,006	296,323	257,981	38,342
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,122,480)	(240,012)	882,468	(88,723)	(32,702)	56,021
OTHER FINANCING SOURCES (USES):						
Advances - in	0	0	0	0	0	0
Advances - (out)	(291,000)	(291,000)	0	0	0	0
Total Other Financing Sources (Uses)	(291,000)	(291,000)	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,413,480)	(531,012)	882,468	(88,723)	(32,702)	56,021
Fund Balance at Beginning of Year	600,878	600,878	0	85,380	85,380	0
Fund Balance at End of Year	($812,602)	$69,866	$882,468	($3,343)	$52,678	$56,021

See accompanying notes.

Capital Projects Funds			(Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$0	$0	$0	$1,484,000	$1,538,992	$54,992
0	0	0	298,500	567,844	269,344
0	0	0	0	60,000	60,000
0	0	0	66,600	75,706	9,106
0	0	0	50,000	21,152	(28,848)
0	185	185	0	844	844
		0	75,500	99,388	23,888
0	185	185	1,974,600	2,363,926	389,326
0	0	0	956,937	708,820	248,117
0	0	0	5,100	5,037	63
0	0	0	46,050	44,618	1,432
0	0	0	38,900	23,094	15,806
0	0	0	592,481	557,428	35,053
0	0	0	1,151,245	906,073	245,172
547,200	503,020	44,180	578,350	531,231	47,119
0	0	0	350,000	350,000	0
0	0	0	13,940	13,174	766
547,200	503,020	44,180	3,733,003	3,139,475	593,528
(547,200)	(502,835)	44,365	(1,758,403)	(775,549)	982,854
291,000	291,000	0	291,000	291,000	0
0	0	0	(291,000)	(291,000)	0
291,000	291,000	0	0	0	0
(256,200)	(211,835)	44,365	(1,758,403)	(775,549)	982,854
96,839	96,839	0	783,097	783,097	0
($159,361)	($114,996)	$44,365	($975,306)	$7,548	$982,854

CITY OF DEER PARK, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type
	Enterprise
OPERATING REVENUES:	
Charges for services	$304,189
Total Operating Revenue	304,189
OPERATING EXPENSES:	
Contractual Services	279,417
Supplies and materials	8,407
Depreciation	16,281
Total Operating Expenses	304,105
NET INCOME (LOSS)	84
RETAINED EARNINGS BEGINNING OF YEAR	116,217
RETAINED EARNINGS END OF YEAR	$116,301

See accompanying notes.

CITY OF DEER PARK, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type
	Enterprise
OPERATING ACTIVITIES:	
Operating income (loss)	$84
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	16,281
Changes in assets and liabilities:	
Increase (decrease) in accounts payable	320
Increase (decrease) in deferred revenue	(466)
Net Cash Provided (Used) by Operating Activities	16,219
CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of fixed assets	(57,964)
Net Cash Provided (Used) by Capital and Related Financing Activities	(57,964)
NET INCREASE (DECREASE) IN CASH	(41,745)
CASH BEGINNING OF YEAR	95,513
CASH END OF YEAR	$53,768

See accompanying notes.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Deer Park, Ohio, (the City), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City operates under a seven-member council. An elected City Auditor is responsible for fiscal control of the resources of the City. Services provided by the City include public services, public safety, recreation, and development.

For financial reporting purposes, the City's financial statements include all funds and account groups of the primary government (the City). Potential component units were considered for inclusion in the financial statements. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the City) are financially accountable. The City would consider an organization to be a component unit if:

1. The City appoints a voting majority of the organization's governing body and (a) is able to impose its will on that organization; or (b) there is a potential for the organization to provide specific financial burdens on the City; or

2. The organization is fiscally dependent upon the City; or

3. The nature of the relationship between the City and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the City misleading.

The City included no component units in the financial statements.

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 arrangement 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.

B. Basis of Presentation

The financial reporting practices of the City conform to generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are summarized by type in the combined financial statements. The following is a description of the fund types and account groups:

<u>Governmental Fund Types:</u>

<u>General Fund</u> - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

<u>Special Revenue Funds</u> - The special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by city ordinances or federal and state statutes or grant provisions.

<u>Debt Service Funds</u> - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

<u>Capital Projects Funds</u> - The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

<u>Proprietary Fund Type:</u>

<u>Enterprise Fund</u> - The enterprise fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Type:

Agency Fund – The Agency fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Account Groups:

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. Because these assets and obligations are long-term, they are neither spendable resources nor require current appropriation.

General Fixed Assets Account Group - This account group accounts for all fixed assets required for general City purposes, excluding fixed assets of the proprietary fund type.

General Long-Term Obligations Account Group - This account group accounts for long-term obligations of the City, except those accounted for in the proprietary fund type.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The measurement focus of governmental funds is upon the flow of current financial resources. Governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which for City purposes is considered to be 30 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, 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 fiscal 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.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Those revenues considered susceptible to accrual include, but are not limited to, property taxes, franchise taxes, state levied/shared taxes, earnings tax, special assessments, interest revenue, and charges for services.

The proprietary fund's measurement focus is upon the flow of economic resources. The proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

D. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year for the period January 1 to December 31, of the following year. Annual budgets are adopted for all funds.

Estimated Resources - The county budget commission certifies its actions to the City by September 1. As part of this examination the City receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. 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 stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented by City Council during the year, as new information becomes available. (The budget may be revised by management without City Council approval if the revised budget does not exceed total appropriations at the fund level). Appropriations may not exceed estimated resources.

Expenditures may not legally exceed appropriations at the fund level for all budgeted funds. During the year, various supplemental appropriations were necessary.

Unencumbered appropriation balances lapse at year-end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

Encumbrances - The City is required to use the encumbrances method of accounting by Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

Encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances and do not represent expenditures or liabilities. The City did not have material outstanding encumbrances at year-end.

Budget Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types are presented on the budgetary basis to provide a relevant comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

* Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

* Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

The adjustments necessary to convert results of operations at the end of the year on the GAAP basis to the budget basis are as follows:

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses		
	General	Special Revenue	Cap. Projects
GAAP Basis (as reported)	($195,146)	($18,371)	($211,479)
Adjustments:			
Revenue Accruals, Net	43,644	(35,253)	(72,174)
Expenditure Accruals, Net	(379,510)	20,922	71,818
BUDGET BASIS	($531,012)	($32,702)	($211,835)

E. Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group. No depreciation is recorded for general fixed assets.

Fixed assets used in proprietary fund type operations are recorded in the enterprise fund. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Automobiles and trucks	5-20 years
Machinery and equipment	5-20 years
Buildings and improvements	15-40 years

Public domain assets (infrastructure) such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized.

Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value at the time received. Interest on constructed fixed assets is capitalized.

F. Interfund Transactions

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management.

G. Fund Balance Reserves

Reserves indicate portions of fund equity legally segregated for a specific future use and/or not appropriable for expenditures.

H. Compensated Absences

In accordance with GASB Statement No. 16, " Accounting for Compensated Absences", the City records a liability for vacation time and sick leave when the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "compensated absences payable". The remaining portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the Enterprise Fund when earned, and the related liability is reported within the fund.

I. Pooled Cash and Investments

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "Pooled Cash and Investments" on the combined balance sheet.

During the year, investments were limited to STAR Ohio. Investments are reported at fair value, which is based on quoted market prices.

The County has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during the year. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for at year-end.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less are considered to be cash and cash equivalents.

J. Total Columns on Combined Financial Statements

Total columns on the combined financial statements are captioned "Totals Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

K. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the City applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

2. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal property used in business, located in the City. Real property taxes are levied each January 1 on the assessed value listed as of the prior January 1.

Assessed values are established by the County Auditor at 35 percent of appraised market value for real property. A revaluation of all real property is required to be completed every six years, with a statistical update every third year. The last revaluation was completed in 1997. Public utility property taxes on tangible personal property are assessed at true value (generally net book value). Tangible personal property used in business (except public utility business) is assessed at 25 percent of average value for inventories and 25 percent of true value for all other personal property.

The property tax calendar is as follows:

Levy date	April 1, 2001
Lien date	January 1, 2001
Tax bill mailed	January 20, 2002
First installment payment due	February 15, 2002
Second installment payment due	July 15, 2002

The assessed valuation upon which the 2001 levy was based is as follows:

	Assessed Value
Real property (other than public utility)	$67,609,700
Public utility real and personal tangible property	6,258,810
Tangible personal property (other than public utility)	2,524,690
Total Assessed Valuation	$ 76,393,200

In accordance with NCGA Statement 1 property taxes that are measurable but not available at fiscal year end are recorded as a receivable with the corresponding revenue deferred until available. Delinquent property tax amounts, net of allowance for uncollectibles, are recorded if material in amount.

3. RETIREMENT SYSTEM

A. Ohio Public Employees Retirement System

Plan Description: The City of Deer Park contributes to OPERS, a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the OPERS Retirement Board. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642 or by calling (614) 222-6705.

Funding Policy: The ORC provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. For local government employer units the rate is 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The contribution requirements of plan members and the City of Deer Park are established and may be amended by the OPERS Retirement Board. The City's contributions for the years ending December 31, 2002, 2001, and 2000 were $69,524, $69,278, and $53,100, respectively; 73 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

Other Postemployment Benefits

In addition to the pension benefit obligation described above, OPERS also provides postemployment health care benefits to age and service retirees with ten (10) or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to OPERS is set-aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postretirement health care through their contributions to OPERS. The portion of the current year employer contribution rate (identified above) that was used to fund health care for the year was 5.0 percent of covered payroll.

The significant assumptions and calculations described below were based on OPERS latest unaudited information as of December 31, 2001. There were 402,041 active contributing participants. Estimated net assets available for future benefits payments were $11.6 billion. Estimated accrued liability and the unfunded estimated accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively. Benefits are financed through employer contributions and investment earnings there on. The contributions, investment income and periodic adjustment in health care provisions are accepted to be sufficient to sustain the program indefinitely.

B. Police and Firemen's Disability and Pension Fund

The City of Deer Park 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 benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The 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% for police officers. The City's contributions to OP&F for the years ending December 31, 2002, 2001, and 2000 were $117,279, $112,014, and $111,069, respectively; 76 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

Other Post-retirement Benefits

The OP&F provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a two-thirds basis. The Ohio Revised Code provides statutory authority for employer contributions and allows the Fund's Board of Trustees to provide post-retirement health care coverage to all eligible individuals from the employer's contributions to the OP&F. Most retirees are required to contribute a portion of the cost of their health care coverage.

The portion of the current year City contribution that was used to fund post-retirement was 7.75 percent of covered payroll for police. Funding and accounting are on a pay-as-you-go basis.

As of December 31, 2001, the number of participants eligible to receive health care benefits was 13,174 for police and 10,239 for fire. The OP&F does not provide separate data on the funded status and funding progress of post-retirement health care benefits. The Fund's total health care expenses for the year ended December 31, 2001 (latest available information) were $122,298,771, which was net of member contributions of $6,874,699.

4. NOTES PAYABLE

Notes payable activity for the City for the year ended December 31, 2002 was as follows:

	Balance 1/01/02	Increases	Decreases	Balance 12/31/02
Bond Anticipation Notes:				
Fire District, 4.89% reissued at 3.94%	$150,000	$ 0	$150,000	$ 0
Road Improvement, 3.64%	200,000	0	200,000	0
Total	$350,000	$ 0	$350,000	$ 0

The notes are shown as a liability of the fund, which received the note proceeds.

5. FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Balance 1/01/02	Additions	Disposals	Balance 12/31/02
Land	$51,335	$220,500	$ 0	$271,835
Buildings and Improvements	228,901	0	0	228,901
Machinery and Equipment	521,946	29,424	31,483	519,887
Construction in Progress	0	108,188	0	108,188
Total	$802,182	$358,112	$31,483	$1,128,811

A summary of the enterprise fund fixed assets is as follows:

	Balance 12/31/02
Machinery & equipment	$104,853
Accumulated depreciation	(29,770)
Net fixed assets	$75,083

6. CASH AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as Pooled Cash and Investments.

A. Legal Requirements

Statutes require the classification of monies held by the City into three categories. Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such monies must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" monies, those monies, which are not needed for immediate use but which will be needed before the end of the current period of depositories.

State legislation permits interim monies to be deposited or invested in the following securities:

1. 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 and interest by the United States;

2. 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;

3. 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;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;

6. The State Treasurer's investment pool (STAR Ohio);

7. Non-negotiable and negotiable interest bearing time certificates of deposit and savings accounts.

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 that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for 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.

B. Deposits

At year-end, the carrying amount of the City's deposits was $161,845 and the bank balance was $237,913. Of the bank balance:

1. $161,084 was covered by federal depository insurance.

2. All remaining deposits were covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. The entire amount above is defined by GASB statement No. 3 as being collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

C. Investments:

The Governmental Accounting Standards Board has established risk categories for investments as follows:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Unclassified - Investments in Star Money Fund are unclassified since they are not evidenced by securities that exist in physical or book entry form.

At year-end the carrying amount and market value of investments were as follows:

Description	Category	Carrying Value/ Fair Value
STAR Ohio	Unclassified	$474,195

7. CONTINGENCIES

The City is a party to various legal proceedings, which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

8. 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 these risks and all other risks of loss, including workers' compensation and employee health and accident insurance.

There have been no significant reductions in insurance coverage from that of prior years and settlements have not exceeded insurance coverage for any of the past three fiscal years.

9. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

	12/31/2001	Increase	12/31/2002
Compensated Absences	$134,051	$12,004	$146,055
Accrued Wages & Benefits	43,272	4,757	48,029
Due to Other Governments	0	143,240	143,240
Total	$177,323	$160,001	$337,324

In October of 2001, the City of Deer Park and the City of Silverton jointly entered into a project loan agreement with the Ohio Public Works Commission for the replacement of fire hydrants. The City of Silverton is responsible for the loan payments; however, due to terms pertaining to the Joint Fire District, the City of Deer Park is reimbursing the City of Silverton 70.61% of the loan payments. The amount to be reimbursed by the City of Deer Park is included as "Due to Other Governments" on the combined Balance Sheet.

10. ACCOUNTABILITY AND COMPLIANCE

A. The Capital Projects Fund has a deficit fund balance of ($243,014).
B. The Mayor's Court did not distribute fines and fees in a timely manner.
C. The City failed to obtain prior certification of the City Auditor for certain expenditures.

11. JOINT VENTURE

Deer Park-Silverton Joint Fire District

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 affect operations is limited to its representation on the Board. The funding for 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 benefit or burden to the City.

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Auditor of State
Betty Montgomery

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

City of Deer Park
Hamilton County
7777 Blue Ash Road
Deer Park, Ohio 45236

To the City Council:

We have audited the financial statements of the City of Deer Park, Hamilton County, Ohio (the City), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated November 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated November 4, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

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www.auditor.state.oh.us

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated November 4, 2004.

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

Betty Montgomery

Betty Montgomery
Auditor of State

November 4, 2004

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 733.40, provides in general that all fines, forfeitures, costs, and any other monies collected by the Mayor and due to the City shall be paid by the mayor into the treasury of the City on the first Monday of each month. In addition, this section provides that all court costs and fees collected by the mayor in state cases shall be paid by the mayor into the municipal treasury on the first business day of each month. Contrary to the requirements of this section, during 2002 and 2003, amounts were not distributed until the end of each year.

FINDING NUMBER 2003-002

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

A. If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate;

B. If the amount involved is less than three thousand dollars, the fiscal officer may authorize it to be paid with such certification, but without affirmation of the City, if such expenditures are otherwise valid.

FINDING NUMBER 2003-002
(Continued)

Contrary to the above requirements, the City failed to obtain the prior certification of the Treasurer for at least 90% of their expenditures during the audit period, and neither exception applied. The failure to properly encumber expenditures may result in overspending and negative cash fund balances. Therefore, we recommend that the City establish written procedures which require all expenditures to be properly certified and encumbered prior to the time of making a commitment.

FINDING NUMBER 2003-003

Reportable Condition

Mayor's Court bank account reconciliations were not prepared on a monthly basis during 2002 and 2003. Account reconciliations for 2002 and 2003 were prepared by the City Auditor and completed in July of 2004. In the course of preparing the reconciliations, the City Auditor identified and corrected numerous accounting and posting errors, including the overpayments of amounts which were due to the City.

The failure to reconcile the Mayor's Court account resulted in an untimely detection of numerous errors and was time-consuming and tedious for the City Auditor to prepare, due to the number of errors that had accumulated. The failure to reconcile could also result in a loss of accountability for Mayor's Court monies and/or the improper diversion or theft of monies.

We recommend that the Mayor's Court bank account be reconciled on a monthly basis by Mayor's Court personnel who have been properly trained. In addition, to ensure that the reconciliation is accurate and properly prepared, the reconciliation and other Mayor's Court accounting records should be reviewed and approved by the Mayor, City Auditor, and by City Council. A review of the Mayor's Court bank reconciliations indicated that in the year 2004 the City Auditor was preparing monthly reconciliations.

FINDING NUMBER 2003-004

Reportable Condition

A lack of segregation of duties exists in the Waste Collections Department. One clerk performs the duties of billing, collection, depositing, and posting to the ledgers. Monthly receipt ledgers are not routinely printed and maintained and reconciliations between the departmental ledgers and the City ledgers are not always performed and documented. In addition, there is no written policy regarding the collection and write-off of delinquent accounts. The lack of such a policy may result in inconsistencies and ambiguities in the treatment of residents' accounts.

To help ensure that Waste Collections Department receipts are accurately and completely accounted for, we recommend that management regularly review and monitor the Waste Collections Department receipt ledgers and document the process of reconciling the departmental ledgers to the City ledgers. Also, to ensure consistent treatment of individual customer accounts, we recommend that the City develop a written policy which addresses the monitoring, collection, and write-off of uncollectible Waste Collections Department accounts.

CITY OF DEER PARK
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain*:
2001-20431-001	Revised Code 149.351(A), destruction of Waste Collections Department remittance stubs/records.	Yes	
2001-20431-002	Revised Code 733.40, failure to remit amounts collected by Mayor's Court in a timely manner.	No	Not corrected. Reissued as Finding 2003-001.
2001-20431-003	Revised Code 5705.41(D), failure to properly encumber.	No	Not corrected. Reissued as Finding 2003-002.
2001-20431-004	Revised Code 5705.14(B), failure to obtain approval from Court of Common Pleas for transfer from a Capital Projects fund to the General Fund.	Yes	
2001-20431-005	Waste Collections Department, inadequate segregation of duties.	No	Not corrected. Reissued as Finding 2003-04.

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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
DECEMBER 14, 2004