



Dave Yost • Auditor of State

**CITY OF DEER PARK
HAMILTON COUNTY**

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HAMILTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Honorable Mayor and Members of City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Deer Park, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deer Park, Hamilton County, Ohio, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, the *required budgetary comparison schedule* listed in the table of contents and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 27, 2017

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Deer Park's *Management's Discussion and Analysis* of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2016.

FINANCIAL HIGHLIGHTS

- The City's total net position increased \$159,677. Net position of governmental activities increased \$41,835, while net position of business-type activities increased by \$117,842.
- The General Fund reported a decrease in fund balance of \$163,919.
- Business-type operations reflected operating income of \$7,515.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

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

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2016

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

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

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

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2016

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

Notes to the Financial Statements

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

THE CITY AS A WHOLE

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015.

TABLE 1 - NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$ 3,952,077	\$ 3,715,164	\$ 147,201	\$ 25,913	\$ 4,099,278	\$ 3,741,077
Capital Assets, Net	4,780,690	4,841,190	-	-	4,780,690	4,841,190
Total Assets	<u>8,732,767</u>	<u>8,556,354</u>	<u>147,201</u>	<u>25,913</u>	<u>8,879,968</u>	<u>8,582,267</u>
Deferred Outflows of Resources	<u>970,790</u>	<u>480,624</u>	<u>18,008</u>	<u>6,518</u>	<u>988,798</u>	<u>487,142</u>
Liabilities						
Current and Other Liabilities	151,385	266,424	27,977	25,976	179,362	292,400
Long-Term Liabilities	5,244,793	4,726,145	45,586	33,237	5,290,379	4,759,382
Total Liabilities	<u>5,396,178</u>	<u>4,992,569</u>	<u>73,563</u>	<u>59,213</u>	<u>5,469,741</u>	<u>5,051,782</u>
Deferred Inflows of Resources	<u>1,142,963</u>	<u>921,828</u>	<u>1,170</u>	<u>584</u>	<u>1,144,133</u>	<u>922,412</u>
Net Position						
Net Investment in Capital						
Assets	3,072,613	2,996,832	-	-	3,072,613	2,996,832
Restricted	678,420	343,914	-	-	678,420	343,914
Unrestricted	(586,617)	(218,165)	90,476	(27,366)	(496,141)	(245,531)
Total Net Position	<u>\$3,164,416</u>	<u>\$3,122,581</u>	<u>\$ 90,476</u>	<u>\$ (27,366)</u>	<u>\$3,254,892</u>	<u>\$3,095,215</u>

Total net position, of the City as a whole, increased \$159,677. Net position of the City's governmental activities increased \$41,835 and the net position of the City's business-type activities increased \$117,842 from 2015 as charges for services exceeded the cost of providing waste collection services. The City had a deficit unrestricted net position balance of \$496,141 which was the result of the City recording its share

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2016

of the net pension liability as required by GASB 68. Current and other assets stayed relatively comparable from 2015 to 2016 due to stable property and income taxes receivable as well as intergovernmental receivables due to the City.

Governmental Activities

Property taxes and the 1.5% income tax are the largest sources of revenue for the City. Revenues generated by these taxes represent approximately 87% of the City's governmental activities general revenues. The balance of general revenues is mostly comprised of other intergovernmental revenue sources such as the State of Ohio's Local Government Fund distribution and other taxes collected by the State and distributed to the City.

The change in net position for 2016 and 2015 is outlined in Table 2.

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2016

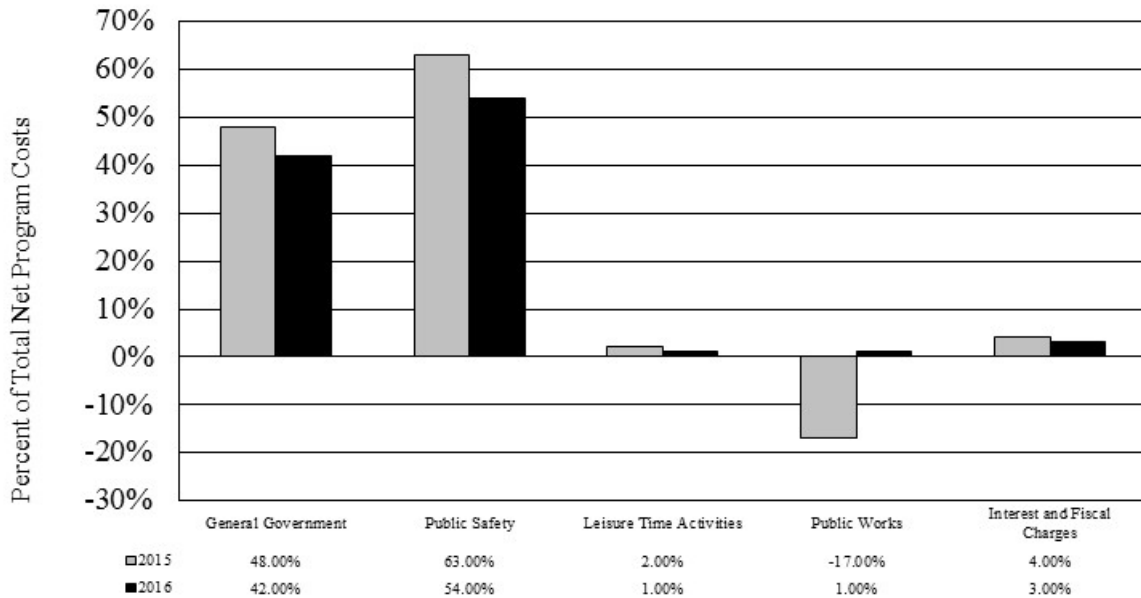
TABLE 2 - CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$ 202,916	\$ 193,880	\$ 365,920	\$ 371,504	\$ 568,836	\$ 565,384
Operating Grants and Contributions	68,361	25,844	-	-	68,361	25,844
Capital Grants and Contributions	282,068	637,162	-	-	282,068	637,162
Total Program Revenues	<u>553,345</u>	<u>856,886</u>	<u>365,920</u>	<u>371,504</u>	<u>919,265</u>	<u>1,228,390</u>
General Revenues						
Income Taxes	1,308,725	1,354,977	-	-	1,308,725	1,354,977
Property Taxes	941,248	930,074	-	-	941,248	930,074
Unrestricted Contributions	454,297	439,482	-	-	454,297	439,482
Investment Earnings	1,622	391	-	-	1,622	391
Transfers	(110,327)	-	110,327	-	-	-
Total General Revenues	<u>2,595,565</u>	<u>2,724,924</u>	<u>110,327</u>	<u>-</u>	<u>2,705,892</u>	<u>2,724,924</u>
Total Revenues	<u>3,148,910</u>	<u>3,581,810</u>	<u>476,247</u>	<u>371,504</u>	<u>3,625,157</u>	<u>3,953,314</u>
Program Expenses						
General Government	1,205,189	1,047,832	-	-	1,205,189	1,047,832
Public Safety	1,416,186	1,252,998	-	-	1,416,186	1,252,998
Public Works	280,246	310,799	-	-	280,246	310,799
Leisure Time Activities	116,635	66,022	-	-	116,635	66,022
Community Development	4,884	7,469	-	-	4,884	7,469
Interest and Fiscal Charges	83,935	80,676	-	-	83,935	80,676
Waste Collection and Disposal	-	-	358,405	347,672	358,405	347,672
Total Expenses	<u>3,107,075</u>	<u>2,765,796</u>	<u>358,405</u>	<u>347,672</u>	<u>3,465,480</u>	<u>3,113,468</u>
Increase in Net Position	41,835	816,014	117,842	23,832	159,677	839,846
Net Position Beginning of Year	<u>3,122,581</u>	<u>2,306,567</u>	<u>(27,366)</u>	<u>(51,198)</u>	<u>3,095,215</u>	<u>2,255,369</u>
Net Position End of Year	<u>\$ 3,164,416</u>	<u>\$ 3,122,581</u>	<u>\$ 90,476</u>	<u>\$ (27,366)</u>	<u>\$ 3,254,892</u>	<u>\$ 3,095,215</u>

When looking at the sources of income to support operations, it should be noted that charges for services are only 6% of revenue, while 71% of revenue is derived from income and property taxes. The City substantially relies on these taxes to fund the services it provides to businesses and citizens.

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2016

Net program cost for 2016 and 2015 by percentage of total net program expenses, as presented on the statement of activities, were as follows:



Business-Type Activities

The City's business-type activity includes waste collection and disposal. This program had operating revenues of \$365,920 and operating expenses of \$358,405 for 2016. Business activities receive no support from tax revenues. The business activities net position at the end of the year was \$90,476, which increased \$117,842 from 2016 as the City's General Fund transferred \$110,327 to Waste Collection and Disposal Fund to allow it to reclassify an unpaid advance from the General Fund to the Waste Collection and Disposal Fund as a transfer. The City had one business-type (enterprise) fund that was a major fund: the Waste Collection and Disposal fund.

THE CITY'S FUNDS

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

All governmental funds had operating revenues of \$3,248,624 and expenditures of \$3,002,658.

Total fund balance increased for 2016 compared to 2015 by \$135,639 as a result of the City's continuing efforts to maintain a structurally balanced budget across all funds.

The City has one major governmental fund – the General Fund. Assets of the General Fund comprised 77% of governmental fund total assets.

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2016

Budgetary Activity and Actual Results

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

During 2016, there were no major revisions to the General fund budget. Actual revenues were 8% over the final budget and actual expenditures plus encumbrances were 6% under final budget amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

TABLE 3 - Net Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 286,445	\$ 286,445	\$ -	\$ -	\$ 286,445	\$ 286,445
Buildings and Improvements	1,799,024	1,863,972	-	-	1,799,024	1,863,972
Equipment	261,300	294,537	-	-	261,300	294,537
Infrastructure	2,069,621	1,718,922	-	-	2,069,621	1,718,922
Construction in process	364,300	677,314	-	-	364,300	677,314
Total Net Capital Assets	\$ 4,780,690	\$ 4,841,190	\$ -	\$ -	\$ 4,780,690	\$ 4,841,190

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

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2016

Debt

At December 31, 2016, the City had \$1,760,000 in un-voted general obligation bonds.

Table 4 - Outstanding Debt at Year End

	2016	2015
Governmental Activities		
Current Interest Bonds		
Municipal Building	\$ 1,640,000	\$ 1,780,000
Capital Appreciation Bonds		
Municipal Building	120,000	120,000
Total Debt	\$ 1,760,000	\$ 1,900,000

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

FINANCIAL POSITION

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

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

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

City of Deer Park
Hamilton County, Ohio
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 1,983,306	\$ 121,423	\$ 2,104,729
Receivables (net of allowance for doubtful accounts)			
Taxes-Real & Personal Property	1,151,602	-	1,151,602
Taxes-Income	554,000	-	554,000
Accounts	26,501	25,778	52,279
Intergovernmental	236,668	-	236,668
Nondepreciable Capital Assets	650,745	-	650,745
Depreciable Capital Assets, Net	4,129,945	-	4,129,945
Total Assets	8,732,767	147,201	8,879,968
Deferred Outflows of Resources			
Deferred Charge on Refunding Pension	141,458	-	141,458
	829,332	18,008	847,340
Total Deferred Outflows of Resources	970,790	18,008	988,798
Liabilities			
Accounts Payable	22,734	26,024	48,758
Contracts Payable	7,900	-	7,900
Accrued Wages and Benefits	83,795	1,953	85,748
Accrued Interest Payable	36,956	-	36,956
Long-Term Liabilities Due Within One Year	249,207	-	249,207
Long-Term Liabilities Due in More Than One Year	4,995,586	45,586	5,041,172
Total Liabilities	5,396,178	73,563	5,469,741
Deferred Inflows of Resources			
Property Taxes Levied for Next Year	1,115,000	-	1,115,000
Pension	27,963	1,170	29,133
Total Deferred Inflows of Resources	1,142,963	1,170	1,144,133
Net Position			
Net Investment in Capital Assets	3,072,613	-	3,072,613
Restricted for			
Public Safety	56,697	-	56,697
Roads	504,353	-	504,353
Culture and Recreation	117,370	-	117,370
Unrestricted	(586,617)	90,476	(496,141)
Total Net Position	\$ 3,164,416	\$ 90,476	\$ 3,254,892

See accompanying notes to the basic financial statements

City of Deer Park
Hamilton County, Ohio
Statement of Activities
For the Year Ended December 31, 2016

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Reporting Entity Total
Governmental Activities:							
General Government	\$ 1,205,189	\$ 151,573	\$ -	\$ -	\$ (1,053,616)	\$ -	\$ (1,053,616)
Public Safety	1,416,186	51,343	744	-	(1,364,099)	-	(1,364,099)
Leisure Time Activities	116,635	-	67,617	22,068	(26,950)	-	(26,950)
Community Development	4,884	-	-	-	(4,884)	-	(4,884)
Public Works	280,246	-	-	260,000	(20,246)	-	(20,246)
Interest and Fiscal Charges	83,935	-	-	-	(83,935)	-	(83,935)
Total Governmental Activities	3,107,075	202,916	68,361	282,068	(2,553,730)	-	(2,553,730)
Business Type Activities:							
Waste Collection and Disposal	358,405	365,920	-	-	-	7,515	7,515
Totals	\$ 3,465,480	\$ 568,836	\$ 68,361	\$ 282,068	\$ (2,553,730)	\$ 7,515	\$ (2,546,215)
General Revenues							
Income Taxes					\$ 1,308,725	\$ -	\$ 1,308,725
Property Taxes Levied for:							
General Purposes					916,734	-	916,734
Public Safety					24,514	-	24,514
Unrestricted Contributions					454,297	-	454,297
Investment Earnings					1,622	-	1,622
Transfers					(110,327)	110,327	-
Total General Revenues and Transfers					2,595,565	110,327	2,705,892
Change in Net Position					41,835	117,842	159,677
Net Position Beginning of Year					3,122,581	(27,366)	3,095,215
Net Position End of Year					\$ 3,164,416	\$ 90,476	\$ 3,254,892

See accompanying notes to the basic financial statements

City of Deer Park
Hamilton County, Ohio
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 1,437,689	\$ 545,617	\$ 1,983,306
Receivables:			
Taxes - Property	949,671	201,931	1,151,602
Taxes - Income	554,000	-	554,000
Accounts	22,369	4,132	26,501
Intergovernmental	93,641	143,027	236,668
Due from other fund	13,000	-	13,000
Total Assets	\$ 3,070,370	\$ 894,707	\$ 3,965,077
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 21,511	\$ 1,223	\$ 22,734
Contracts Payable	-	7,900	7,900
Accrued Wages and Benefits	77,767	6,028	83,795
Due to other fund	-	13,000	13,000
Total Liabilities	99,278	28,151	127,429
Deferred Inflows of Resources			
Property Taxes Levied for Next Year	914,000	201,000	1,115,000
Unavailable Property Taxes	35,671	931	36,602
Unavailable Income Taxes	420,000	-	420,000
Unavailable Intergovernmental Revenue and Other	88,177	114,356	202,533
Total Deferred Inflows of Resources	1,457,848	316,287	1,774,135
Fund Balances			
Restricted:			
Public Safety	-	54,166	54,166
Roads	-	431,597	431,597
Recycling	-	21,137	21,137
Recreation	-	56,233	56,233
Assigned:			
General Government	182,698	-	182,698
Unassigned	1,330,546	(12,864)	1,317,682
Total Fund Balances	1,513,244	550,269	2,063,513
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,070,370	\$ 894,707	\$ 3,965,077

See accompanying notes to the basic financial statements

City of Deer Park
Hamilton County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2016

Total Governmental Fund Balances \$ 2,063,513

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

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

Land	286,445	
Construction in Progress	364,300	
Other Capital Assets	5,958,309	
Accumulated depreciation	<u>(1,828,364)</u>	
		4,780,690

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

Income Taxes	420,000	
Delinquent Property Taxes	36,602	
Intergovernmental and Other Revenues	<u>202,533</u>	
		659,135

In the statement of net position interest payable is accrued when incurred whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.

Accrued Interest Payable	(36,956)	
Accreted Interest	<u>(132,788)</u>	
		(169,744)

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

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

Due to Other Governments	(53,765)	
Long-Term Note Payable	(89,535)	
Bonds	(1,760,000)	
Compensated Absences	(123,936)	
Premium on Bonds	<u>(178,140)</u>	
		(2,205,376)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	829,332	
Deferred Inflows - Pension	(27,963)	
Net Pension Liability	<u>(2,906,629)</u>	
		(2,105,260)

Deferred losses on debt refundings are expensed in the fund level financial statements but are accrued and amortized over the life of the bonds in the government-wide financial statements.

141,458

Net Position of Governmental Activities \$ 3,164,416

See accompanying notes to the basic financial statements

City of Deer Park
Hamilton County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,201,656	\$ 73,096	\$ 2,274,752
Charges for Services	104,001	2,535	106,536
Contributions and Donations	-	1,469	1,469
Fines, Licenses & Permits	82,121	5,066	87,187
Investment Earnings	1,603	19	1,622
Intergovernmental	177,554	532,612	710,166
Other Revenues	-	66,892	66,892
Total Revenues	<u>2,566,935</u>	<u>681,689</u>	<u>3,248,624</u>
Expenditures			
Current:			
General Government	1,107,009	-	1,107,009
Public Safety	1,244,110	1,596	1,245,706
Leisure Time Activities	45,756	64,970	110,726
Community Development	817	4,067	4,884
Transportation and Street Repair	21,940	169,347	191,287
Capital Outlay	3,058	142,151	145,209
Debt Service			
Principal Retirement	7,162	140,000	147,162
Interest and Fiscal Charges	-	50,675	50,675
Total Expenditures	<u>2,429,852</u>	<u>572,806</u>	<u>3,002,658</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>137,083</u>	<u>108,883</u>	<u>245,966</u>
Other Financing Sources (Uses)			
Transfers In	-	219,473	219,473
Transfers Out	<u>(301,002)</u>	<u>(28,798)</u>	<u>(329,800)</u>
Total Other Financing Sources (Uses)	<u>(301,002)</u>	<u>190,675</u>	<u>(110,327)</u>
Net Change in Fund Balances	(163,919)	299,558	135,639
Fund Balances at Beginning of Year	<u>1,677,163</u>	<u>250,711</u>	<u>1,927,874</u>
Fund Balances at End of Year	<u>\$ 1,513,244</u>	<u>\$ 550,269</u>	<u>\$ 2,063,513</u>

See accompanying notes to the basic financial statements

City of Deer Park
Hamilton County, Ohio
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds		\$ 135,639
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in the governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
	(60,500)	
Because some revenues will not be collected for several months after the City's year-end, they are not considered "available" revenues and are reported as deferred inflows in the governmental funds.		
Income Taxes	(26,394)	
Delinquent Property Taxes	1,615	
Intergovernmental and Other Revenues	<u>35,392</u>	10,613
Governmental funds report premiums, discounts, and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities.		
Amortization of Deferred Loss on Refunding	(10,881)	
Amortization of Bond Premiums	<u>14,493</u>	3,612
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Payments on Obligation to Other Governments	7,679	
Payments on OPWC Note Payable	7,162	
Bond Principal Retirement	<u>140,000</u>	154,841
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
	(36,872)	
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	4,408	
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
	247,677	
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
	<u>(417,583)</u>	
Change in Net Position of Governmental Activities		<u>\$ 41,835</u>

See accompanying notes to the basic financial statements

City of Deer Park
Hamilton County, Ohio
Statement of Net Position - Proprietary Fund
December 31, 2016

	Waste Collection and Disposal
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 121,423
Receivables:	
Accounts	25,778
Total Assets	147,201
Deferred Outflows of Resources:	
Pension	18,008
Total Deferred Outflows of Resources	18,008
Liabilities	
Accounts Payable	26,024
Accrued Wages and Benefits	1,953
Long-Term Liabilities Due Over 1 year	45,586
Total Liabilities	73,563
Deferred Inflows of Resources:	
Pension	1,170
Total Deferred Inflows of Resources	1,170
Net Position	
Unrestricted	90,476
Total Net Position	\$ 90,476

See accompanying notes to the basic financial statements

City of Deer Park
Hamilton County, Ohio
Statement of Revenues,
Expenses and Changes in Fund Net Position - Proprietary Fund
For the Year Ended December 31, 2016

	Waste Collection and Disposal
Operating Revenues	
Charges for Services	\$ 365,920
Total Operating Revenues	365,920
Operating Expenses	
Contractual Services	358,405
Total Operating Expenses	358,405
Operating Income	7,515
Transfers In	110,327
Change in Net Position	117,842
Net Position Beginning of Year	(27,366)
Net Position End of Year	\$ 90,476

See accompanying notes to the basic financial statements

City of Deer Park
Hamilton County, Ohio
Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2016

	Waste Collection and Disposal
Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 424,446
Payments to Employees	(330,327)
Payments to Suppliers	(24,632)
	69,487
Net Cash Provided by Operating Activities	69,487
Cash Flows from Non-Capital Financing Activities	
Transfers In	110,327
Interfund Loan Repayments	(110,327)
	-
Net Cash Provided by Non-Capital Financing Activities	-
Net Change in Cash and Cash Equivalents	69,487
Cash and Cash Equivalents Beginning of Year	51,936
Cash and Cash Equivalents End of Year	\$ 121,423
Reconciliation of Operating Income to Net Cash	
Used by Operating Activities	
Operating Income	\$ 7,515
Adjustments to Reconcile Operating Income to Net Cash	
Used by Operating Activities:	
Decrease in Accounts Receivable	58,526
Increase in Deferred Outflows - Pension	(11,490)
Increase in Accrued Liabilities	2,001
Increase in Deferred Inflows - Pension	586
Increase in Net Pension Liability	12,349
	12,349
Net Cash Provided by Operating Activities	\$ 69,487

See accompanying notes to the basic financial statements

City of Deer Park
Hamilton County, Ohio
Statement of Fiduciary Net Position - Fiduciary Fund
December 31, 2016

	<u>Agency</u>
Assets	
Equity Pooled in Cash and Cash Equivalents	\$ <u>7,442</u>
Total Assets	<u>\$ 7,442</u>
Liabilities	
Due to Other Governments	\$ <u>7,442</u>
Total Liabilities	<u>\$ 7,442</u>

See accompanying notes to the basic financial statements

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

Note 1 - Description of the City and Reporting Entity

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

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

A. Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The effect of inter-fund activity has been removed from

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

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

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

Fund Financial Statements

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

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

General Fund

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

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

Proprietary Funds

Proprietary fund reporting focuses on changes in net position, financial position and cash flows.

Proprietary funds are classified as either enterprise or internal service. The City does not have an Internal service fund.

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

Waste Collection and Disposal Fund

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for waste services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as inflow of resources in the periods that the amounts become available or for the periods in which they are to be used.

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Equity in Pooled Cash, Cash Equivalents and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the statement of net position and the governmental fund balance sheet. For purposes of the statement of cash flows and for presentation on the statement of net position/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Interest is distributed according to Ohio statutes. Interest revenue credited to the general fund during 2016 amounted to \$1,603.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

G. Capital Assets

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

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

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

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

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

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

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

H. Compensated Absences

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

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

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

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

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

J. Long-Term Obligations

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

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

K. Classification of Fund Balance

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

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

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

Committed - The City's Council can *commit* amounts via formal action (resolution). The City must adhere to these commitments unless the City's Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

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

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

L. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources, less the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Interfund Activity

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

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

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

N. Estimates

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

Note 3 - Deposits and Investments

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

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

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

Inactive deposits are public deposits that the City has identified as not required for use within the current two year period of designation of depositories. Inactive deposits may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio); and
- Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation it will be held to maturity. Investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

The carrying amount of the City's cash and investments totaled \$2,112,171 at December 31, 2016 as summarized below:

Deposits With Financial Institutions	\$ 1,946,642
STAROhio	<u>165,529</u>
Total Cash and Investments	<u><u>\$ 2,112,171</u></u>

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,695,830 of the City's bank balance of \$1,994,537 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

As of December 31, 2016, the City had \$165,529 invested in STAROhio. STAROhio investments mature in 12 months or less.

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

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

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

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Note 4 - Receivables

Receivables at December 31, 2016 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, accounts receivable and an interfund receivable.

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Real property taxes collected in 2016 were levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. Public utility property taxes collected in 2016 became a lien December 31, 2015 and were levied after October 1, 2016.

The assessed values of real and personal property upon which 2016 property tax receipts were based are as follows:

Real Property – Residential & Agricultural	\$ 84,180,360
Real Property – Commercial, Industrial & Other	13,959,670
Public Utility (Personal Property)	<u>6,699,240</u>
Total Valuation	<u><u>\$ 104,839,270</u></u>

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

The County Treasurer collects property taxes on behalf of all taxing Districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, they were not levied to finance 2016 operations. The receivable is therefore offset by deferred inflows of resources.

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Note 5 – Income Taxes

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

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

Note 6 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City carries commercial general liability insurance against risks and all other risks of loss, including workers' compensation and employee health and accident insurance. More information about the City's partially self-insured health program is detailed in Note 15. For 2016, 2015 and 2014 settlement amounts did not exceed insurance coverage limits.

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Note 7 - Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 1/1/2016	Additions	Deductions	Balance 12/31/2016
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$ 286,445	\$ -	\$ -	\$ 286,445
Construction in Progress	677,314	114,300	427,314	364,300
	<u>963,759</u>	<u>114,300</u>	<u>427,314</u>	<u>650,745</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,684,278	-	-	2,684,278
Machinery and Equipment	765,494	22,426	11,570	776,350
Infrastructure	2,070,367	427,314	-	2,497,681
	<u>5,520,139</u>	<u>449,740</u>	<u>11,570</u>	<u>5,958,309</u>
Total Assets at Historical Cost	<u>6,483,898</u>	<u>564,040</u>	<u>438,884</u>	<u>6,609,054</u>
Less Accumulated Depreciation:				
Buildings and Improvements	820,306	64,948	-	885,254
Machinery and Equipment	470,957	55,663	11,570	515,050
Infrastructure	351,445	76,615	-	428,060
	<u>1,642,708</u>	<u>197,226</u>	<u>11,570</u>	<u>1,828,364</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,841,190</u>	<u>\$ 366,814</u>	<u>\$ 427,314</u>	<u>\$ 4,780,690</u>
Business-Type Activities				
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 133,071	\$ -	\$ -	\$ 133,071
Total Assets at Historical Cost	<u>133,071</u>	<u>-</u>	<u>-</u>	<u>133,071</u>
Less Accumulated Depreciation:				
Machinery and Equipment	133,071	-	-	133,071
Total Accumulated Depreciation	<u>133,071</u>	<u>-</u>	<u>-</u>	<u>133,071</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 83,513
Public Safety	24,910
Leisure Time Activities	3,670
Public Works	85,133
	<u>\$ 197,226</u>

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Note 8 - Long-Term Obligations

A schedule of changes in bonds and other long-term obligations of the City during 2016 follows:

	Amount Outstanding 1/1/2016	Additions	Deletions	Amount Outstanding 12/31/2016	Amounts Due in One Year
Governmental Activities					
Unvoted General Obligation Bonds					
Current Interest Bonds					
Interest Varies from 2.00%					
Municipal Building	\$ 1,780,000	\$ -	\$ 140,000	\$ 1,640,000	\$ 145,000
Interest Varies from 2.90%					
Municipal Building	120,000	-	-	120,000	-
Premium	192,633	-	14,493	178,140	-
Total Long-Term Bond - Principal	2,092,633	-	154,493	1,938,140	145,000
Accreted Interest	93,816	38,972	-	132,788	-
Accreted Interest and Total Long-Term Bonds - Principal	2,186,449	38,972	154,493	2,070,928	145,000
Other Long-Term Obligations					
Due to Other Governments	61,444	-	7,679	53,765	7,679
OPWC Note Payable	96,697	-	7,162	89,535	7,162
Compensated Absences	128,344	85,960	90,368	123,936	89,366
Net Pension Liability:					
OPERS	593,582	247,526	-	841,108	-
OP&F	1,659,629	405,892	-	2,065,521	-
Total Other Long-Term Obligations	2,539,696	739,378	105,209	3,173,865	104,207
Total Governmental Activities	\$ 4,726,145	\$ 778,350	\$ 259,702	\$ 5,244,793	\$ 249,207
Business-Type Activities					
Other Long-Term Obligations					
Net Pension Liability:					
OPERS	\$ 33,237	\$ 12,349	\$ -	\$ 45,586	\$ -
Total Business-Type Activities	\$ 33,237	\$ 12,349	\$ -	\$ 45,586	\$ -

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

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

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

Principal and interest requirements to retire the long-term debt obligations at December 31, 2016, are as follows:

Year Ending December 31	Bonds - 2012		Capital Appreciation Bonds - 2012	
	Principal	Interest	Principal	Interest
2017	145,000	49,275	\$ -	\$ -
2018	150,000	46,375	-	-
2019	-	43,375	46,851	103,149
2020	-	43,375	39,629	110,371
2021	-	43,375	33,520	116,480
2022-2026	800,000	169,290	-	-
2027-2029	545,000	38,238	-	-
Total	\$ 1,640,000	\$ 433,303	\$ 120,000	\$ 330,000

Year Ending December 31	Total	
	Principal	Interest
2017	145,000	\$ 49,275
2018	150,000	46,375
2019	46,851	146,524
2020	39,629	153,746
2021	33,520	159,855
2022-2026	800,000	169,290
2027-2029	545,000	38,238
Total	\$ 1,760,000	\$ 763,303

Principal and interest requirements to retire the note payable at December 31, 2016, are as follows:

Year Ending December 31	Principal	Interest
2017	\$ 7,162	\$ -
2018	7,162	-
2019	7,162	-
2020	7,162	-
2021	7,162	-
2022-2026	35,810	-
2027-2029	17,915	-
Total	\$ 89,535	\$ -

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	2.0%	2.0%	2.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$104,105 for 2016. Of this amount, \$9,675 is reported as accrued benefits.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City's full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter

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742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
 Total Employer	 19.50%	 24.00%
 Employee	 12.25%	 12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$143,572 for 2016. Of this amount \$17,639 is reported as accrued benefits.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$ 886,694	\$ 2,065,521	\$ 2,952,215
Proportion of the Net Pension Liability	0.0051191%	0.0321079%	
Pension Expense	\$ 30,373	\$ 140,978	\$ 171,351

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At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 260,633	\$ 336,068	\$ 596,701
Changes in employer proportion and differences between contributions and proportionate share of contributions	-	2,962	2,962
Entity contributions subsequent to the measurement date	104,105	143,572	247,677
Total Deferred Outflows of Resources	<u>\$ 364,738</u>	<u>\$ 482,602</u>	<u>\$ 847,340</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 17,133	\$ 5,800	\$ 22,933
Changes in employer proportion and differences between contributions and proportionate share of contributions	6,200	-	6,200
	<u>\$ 23,333</u>	<u>\$ 5,800</u>	<u>\$ 29,133</u>

\$247,677 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2017	54,142	83,308	137,450
2018	58,309	83,308	141,617
2019	65,868	83,308	149,176
2020	58,981	83,306	142,287
Total	<u>\$ 237,300</u>	<u>\$ 333,230</u>	<u>\$ 570,530</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other investments	18.00%	4.59%
Total	100.00%	5.28%

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Entity's proportionate share of the net pension liability	\$ 1,412,718	\$ 886,694	\$ 443,007

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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For The Year Ended December 31, 2016

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	
Domestic Equity	16.00%	4.47%
Non-US Equity	16.00%	4.47%
Core Fixed Income *	20.00%	1.62%
Global Inflation Protected *	20.00%	1.33%
High Yield	15.00%	3.39%
Real Estate	12.00%	3.93%
Private Markets	8.00%	6.98%
Timber	5.00%	4.92%
Master Limited Partnerships	8.00%	7.03%
Total	<u>120.00%</u>	

* levered 2X

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Entity's proportionate share of the net pension liability	\$ 2,724,149	\$ 2,065,521	\$ 1,507,603

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

A. Plan Description

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2016 was 4.5%.

C. City Contributions

The City's actual contributions that were used to fund postemployment benefits were approximately \$15,097, \$12,776, and \$12,738 for 2016, 2015 and 2014, respectively. The full amount has been contributed for 2016, 2015 and 2014.

Ohio Police and Fire Pension Fund

A. Plan Description

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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. That report is also available on OP&F's website at www.op-f.org.

B. Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to healthcare was 0.5% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

C. City Contributions

The City's actual contributions that were used to pay postemployment benefits were approximately \$3,833, \$3,650, and \$3,580 for 2016, 2015 and 2014, respectively. The full amount has been contributed for 2016, 2015 and 2014.

Note 11 – Interfund Activity

During 2016 the following transfers occurred:

The Street Maintenance Fund transferred \$6,730 to the Redmont Avenue Capital Project Fund to provide resources for roadway improvements.

The Park Board Fund transferred \$22,068 to the Nature Works Fund to provide resources for improvements to the City's tennis courts.

The General Fund transferred \$190,675 to the Municipal Building Bond Retirement Fund to provide resources to cover schedule debt service payments.

The General Fund transferred \$110,327 to the Waste Collection and Disposal Fund to provide resources to allow the outstanding advance between the two funds to be retired.

Note 12 – Joint Venture

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

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

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

Note 13 – Contingent Liabilities

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

Note 14 – Compliance and Accountability

At year-end, the City had a modified-accrual-based-deficit balance in the Nature Works Fund. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

City of Deer Park
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2016

Note 15 – Incurred But Not Reported Claims – Health Benefits Program

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

The City participates in the program and makes payments to the Risk Management Agency based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The City's independent advisor has actuarially determined that no liability provision for incurred but not reported claims is appropriate as of December 31, 2016. This amount is non-discounted and is based upon historical claims experience. The nonexistence of a claims liability reported at December 31, 2016, is based on an estimate provided by USI Insurance (independent advisor) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims.

Note 16 – Joint Economic Development Zone

The City participates in a Joint Economic Development Zone (JEDZ) with Sycamore Township. The purpose of the JEDZ is to facilitate economic development and improve the welfare of people in the area of the JEDZ.

Under the terms of the JEDZ with Sycamore Township, the City of Deer Park receives 10% of the net income tax revenues collected and is entitled to an administrative fee from the JEDZ to cover the cost of collecting the income taxes.

Note 17 – Tax Abatements

During 2016, the City adopted Government Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. Under GASB Statement No. 77, certain tax abatements are required to be disclosed in the notes to the basic financial statements. The City does not have any tax abatements that are required to be disclose in accordance with GASB Statement No. 77. As such, the adoption of GASB Statement No. 77 in 2016 by the City did not have any impact on the City's financial statements or footnotes.

REQUIRED SUPPLEMENTARY INFORMATION

City of Deer Park
Hamilton County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$ 2,207,000	\$ 2,207,000	\$ 2,363,683	\$ 156,683
Charges for Services	104,300	104,300	112,219	7,919
Fees, Licenses, and Permits	29,225	29,225	38,379	9,154
Fines and Forfeitures	35,000	35,000	43,051	8,051
Intergovernmental	55,000	55,000	55,007	7
Interest	350	350	1,603	1,253
Total Revenues	2,430,875	2,430,875	2,613,942	183,067
Expenditures				
Current:				
General Government	1,092,810	1,162,810	1,113,424	49,386
Public Safety	1,238,200	1,263,100	1,238,451	24,649
Leisure Time Activities	46,400	48,900	45,493	3,407
Transportation and Street Repair	87,550	92,050	22,103	69,947
Economic Development	-	4,000	-	4,000
Capital Outlay	5,500	7,300	3,058	4,242
Debt Service:				
Principal Retirement and Interest	10,638	10,638	7,162	3,476
Total Expenditures	2,481,098	2,588,798	2,429,691	159,107
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,223)	(157,923)	184,251	342,174
Other Financing Sources (Uses)				
Transfers Out	(190,675)	(301,002)	(301,002)	-
Advances In	-	110,327	110,327	-
Advances Out	-	(13,000)	(13,000)	-
Total Other Financing Uses	(190,675)	(203,675)	(203,675)	-
Net Change in Fund Balance	(240,898)	(361,598)	(19,424)	342,174
Fund Balance at Beginning of Year	1,457,113	1,457,113	1,457,113	-
Fund Balance at End of Year	\$ 1,216,215	\$ 1,095,515	\$ 1,437,689	\$ 342,174

See accompanying notes to the required supplementary information.

City of Deer Park
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years *

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Entity's Proportion of the Net Pension Liability	0.0051191%	0.0051970%	0.0051970%
Entity's Proportionate Share of the Net Pension Liability	\$ 886,694	\$ 626,819	\$ 612,661
Entity's Covered-Employee Payroll	\$ 662,086	\$ 643,063	\$ 625,764
Entity's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	133.92%	97.47%	97.91%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	81.08%	86.45%	86.36%

* Information prior to 2013 is not available.

Amounts presented as of the Entity's measurement date which
is the prior fiscal year end.

City of Deer Park
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Three Years *

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Entity's Proportion of the Net Pension Liability	0.0321079%	0.0320366%	0.0320366%
Entity's Proportionate Share of the Net Pension Liability	\$ 2,065,521	\$ 1,659,629	\$ 1,560,282
Entity's Covered-Employee Payroll	\$ 814,688	\$ 673,819	\$ 691,431
Entity's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	253.54%	246.30%	225.66%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	66.77%	72.20%	73.00%

* Information prior to 2013 is not available.

Amounts presented as of the Entity's measurement date which
 is the prior fiscal year end.

City of Deer Park
 Required Supplementary Information
 Schedule of City Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Four Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 104,105	\$ 89,470	\$ 76,459	\$ 89,890
Contributions in Relation to the Contractually Required Contribution	<u>(104,105)</u>	<u>(89,470)</u>	<u>(76,459)</u>	<u>(89,890)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Entity Covered-Employee Payroll	\$ 694,495	\$ 662,086	\$ 643,063	\$ 625,764
Contributions as a Percentage of Covered-Employee Payroll	14.99%	13.51%	11.89%	14.36%

* Information prior to 2013 is not available.

City of Deer Park
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 143,572	\$ 140,360	\$ 134,071	\$ 154,216	\$ 141,706
Contributions in Relation to the Contractually Required Contribution	<u>(143,572)</u>	<u>(140,360)</u>	<u>(134,071)</u>	<u>(154,216)</u>	<u>(141,706)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Entity Covered-Employee Payroll	\$ 788,602	\$ 814,688	\$ 673,819	\$ 691,431	\$ 709,302
Contributions as a Percentage of Covered-Employee Payroll	18.21%	17.23%	19.90%	22.30%	19.98%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$ 153,356	\$ 141,498	\$ 130,676	\$ 129,484	\$ 117,297
Contributions in Relation to the Contractually Required Contribution	<u>(153,356)</u>	<u>(141,498)</u>	<u>(130,676)</u>	<u>(129,484)</u>	<u>(117,297)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Entity Covered-Employee Payroll	\$ 753,928	\$ 753,637	\$ 702,515	\$ 650,417	\$ 587,331
Contributions as a Percentage of Covered-Employee Payroll	20.34%	18.78%	18.60%	19.91%	19.97%

City of Deer Park
Hamilton County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

A. Budgets

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

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

Estimated Resources The County Budget Commission determines if the tax budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources that states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources can be further amended during the year if the Council agrees that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

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

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

Encumbrances As part of formal budgetary control purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. During the current year, the City did not record encumbrances as required by the Ohio Revised Code.

City of Deer Park
Hamilton County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2016

Budgetary Basis of Accounting While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for each major governmental fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

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

	General Fund
GAAP Basis	\$ (163,919)
Adjustments:	
Revenue Accruals	47,007
Expenditure Accruals	161
Advances In	110,327
Advances Out	(13,000)
	\$ (19,424)

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Honorable Mayor and Members of City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deer Park, Hamilton County (the City), Ohio as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 27, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 27, 2017

CITY OF DEER PARK
HAMILTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	The City did not properly post all financial activity to the accounting records and financial statements.	Not corrected.	Repeated in the Management Letter

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Dave Yost • Auditor of State

CITY OF DEER PARK

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 15, 2017**