



**CITY OF DEER PARK  
HAMILTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

City of Deer Park  
Hamilton County  
4250 Matson Avenue  
Deer Park, Ohio 45236

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Deer Park, Hamilton County, Ohio (the City), as of and for the years ended December 31, 1999 and 1998 as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Deer Park, Hamilton County, Ohio, as of December 31, 1999 and 1998, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

As more fully disclosed in Note 4 to the 1998 general-purpose financial statements, the City changed its method of accounting for certain investments and its deferred compensation plan.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2000, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

August 29, 2000

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CITY OF DEER PARK, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Pooled cash and investments	\$556,878	\$98,524	\$9,116	\$326,217
Receivables (net of allowance for uncollectables):				
Taxes	276,225	24,469	1,912	0
Accounts	0	0	0	0
Intergovernmental	111,302	11,041	0	0
Interfund	7,123	0	0	0
Fixed assets (net, where applicable of accumulated depreciation)	0	0	0	0
Amount to be provided for retirement of general long-term obligations	0	0	0	0
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b><u>\$951,528</u></b>	<b><u>\$134,034</u></b>	<b><u>\$11,028</u></b>	<b><u>\$326,217</u></b>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$11,264	\$2,083	\$0	\$3,093
Accrued wages and benefits	76,402	1,931	0	0
Interest payable	0	0	0	11,826
Interfund payable	0	0	0	0
Compensated absences	7,831	1,710	0	0
Due to others	0	0	0	0
Deferred revenue	244,682	24,469	1,912	0
Notes payable	0	0	0	400,000
<b>Total Liabilities</b>	<b><u>340,179</u></b>	<b><u>30,193</u></b>	<b><u>1,912</u></b>	<b><u>414,919</u></b>
Equity and Other Credits:				
Investment in general fixed assets	0	0	0	0
Retained earnings - unreserved	0	0	0	0
Fund Balances:				
Unreserved, undesignated	611,349	103,841	9,116	(88,702)
<b>Total Equity and Other Credits</b>	<b><u>611,349</u></b>	<b><u>103,841</u></b>	<b><u>9,116</u></b>	<b><u>(88,702)</u></b>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b><u>\$951,528</u></b>	<b><u>\$134,034</u></b>	<b><u>\$11,028</u></b>	<b><u>\$326,217</u></b>

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals
		General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
Enterprise	Agency			
\$59,408	\$7,783	\$0	\$0	\$1,057,926
0	0	0	0	302,606
17,016	0	0	0	17,016
0	0	0	0	122,343
0	0	0	0	7,123
15,400	0	1,526,630	0	1,542,030
0	0	0	109,788	109,788
<u>\$91,824</u>	<u>\$7,783</u>	<u>\$1,526,630</u>	<u>\$109,788</u>	<u>\$3,158,832</u>
\$20,896	\$0	\$0	\$0	\$37,336
0	0	0	0	78,333
0	0	0	0	11,826
0	7,123	0	0	7,123
0	0	0	109,788	119,329
0	660	0	0	660
5,105	0	0	0	276,168
0	0	0	0	400,000
26,001	7,783	0	109,788	930,775
0	0	1,526,630	0	1,526,630
65,823	0	0	0	65,823
0	0	0	0	635,604
65,823	0	1,526,630	0	2,228,057
<u>\$91,824</u>	<u>\$7,783</u>	<u>\$1,526,630</u>	<u>\$109,788</u>	<u>\$3,158,832</u>

CITY OF DEER PARK, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 For the Year Ended December 31, 1999

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
<b>REVENUES:</b>					
Taxes	\$1,342,206	\$24,420	\$36,335	\$0	\$1,402,961
Fines, licenses and permits	52,511	1,266	0	0	53,777
Intergovernmental	305,492	200,695	4,672	51,068	561,927
Special assessments	553	0	0	0	553
Charges for services	4,876	0	0	0	4,876
Interest	54,313	643	0	0	54,956
Other	69,513	61,655	0	1,250	132,418
<b>Total Revenues</b>	<b>1,829,464</b>	<b>288,679</b>	<b>41,007</b>	<b>52,318</b>	<b>2,211,468</b>
<b>EXPENDITURES:</b>					
Current:					
General government	536,501	0	0	0	536,501
Public safety	902,301	74,018	0	0	976,319
Public health and welfare	4,760	0	0	0	4,760
Leisure time activities	36,046	18,614	0	0	54,660
Community development	25,862	12,000	0	0	37,862
Basic utility service	0	0	0	0	0
Transportation and street repair	182,289	174,201	0	0	356,490
Capital outlay	0	39,433	0	211,518	250,951
Debt service:					
Interest and Fiscal Charges	1,335	0	0	13,459	14,794
<b>Total Expenditures</b>	<b>1,689,094</b>	<b>318,266</b>	<b>0</b>	<b>224,977</b>	<b>2,232,337</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>140,370</b>	<b>(29,587)</b>	<b>41,007</b>	<b>(172,659)</b>	<b>(20,869)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers - in	29,047	8,400	0	77,722	115,169
Operating transfers - (out)	(46,400)	(29,047)	(39,722)	0	(115,169)
<b>Total Other Financing Sources (Uses)</b>	<b>(17,353)</b>	<b>(20,647)</b>	<b>(39,722)</b>	<b>77,722</b>	<b>0</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>123,017</b>	<b>(50,234)</b>	<b>1,285</b>	<b>(94,937)</b>	<b>(20,869)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>488,332</b>	<b>154,075</b>	<b>7,831</b>	<b>6,235</b>	<b>656,473</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$611,349</b>	<b>\$103,841</b>	<b>\$9,116</b>	<b>(\$88,702)</b>	<b>\$635,604</b>

See accompanying notes.

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CITY OF DEER PARK, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NON-GAAP BASIS ALL GOVERNMENTAL FUND TYPES  
 For the Fiscal Year End December 31, 1999

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
Local taxes	\$1,195,000	\$1,336,686	\$141,686	\$33,173	\$24,420	(\$8,753)
Intergovernmental revenues	126,000	298,066	172,066	183,833	203,105	19,272
Charges for services	24,500	4,876	(19,624)	0	0	0
Fines, licenses and permits	61,050	51,500	(9,550)	1,200	1,336	136
Interest revenue	30,000	54,313	24,313	0	643	643
Special assessments	1,000	553	(447)	0	0	0
All other revenues	51,600	69,514	17,914	10,500	61,655	51,155
<b>Total Revenues</b>	<b>1,489,150</b>	<b>1,815,508</b>	<b>326,358</b>	<b>228,706</b>	<b>291,159</b>	<b>62,453</b>
<b>EXPENDITURES:</b>						
Current:						
Public safety	952,675	926,783	25,893	59,653	89,735	(30,082)
Public health and welfare	4,800	4,760	40	0	0	0
Leisure time activities	44,775	35,752	9,023	0	18,614	(18,614)
Community development	25,150	26,225	(1,075)	12,000	12,000	0
Transportation and street repair	203,635	181,901	21,734	196,765	181,976	14,789
General government	782,081	608,279	173,802	0	0	0
Capital outlay	0	0	0	32,650	39,433	(6,783)
Debt service:						
Principal	108,000	105,000	3,000	0	0	0
Interest and fiscal charges	0	2,940	(2,940)	0	0	0
<b>Total Expenditures</b>	<b>2,121,116</b>	<b>1,891,640</b>	<b>229,477</b>	<b>301,068</b>	<b>341,758</b>	<b>(40,690)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(631,966)	(76,132)	555,835	(72,362)	(50,599)	21,763
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds of Notes						
Operating transfers - in	29,047	29,047	0	8,400	8,400	0
Operating transfers - (out)	(8,400)	(8,400)	0	(29,047)	(29,047)	0
Advances - in	0	20,000	20,000	0	0	0
Advances - (out)	0	(20,000)	(20,000)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>20,647</b>	<b>20,647</b>	<b>0</b>	<b>(20,647)</b>	<b>(20,647)</b>	<b>0</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(611,319)	(55,485)	555,835	(93,009)	(71,246)	21,763
Fund Balance at Beginning of Year	612,363	612,363	0	169,770	169,770	0
<b>Fund Balance at End of Year</b>	<b>\$1,044</b>	<b>\$556,878</b>	<b>\$555,835</b>	<b>\$76,761</b>	<b>\$98,524</b>	<b>\$21,763</b>

See accompanying notes.

Debt Service Fund			Capital Projects Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$39,715	\$36,335	(\$3,380)	\$0	\$0	\$0
0	4,672	4,672	76,244	51,068	(25,176)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
		0	2,000	1,250	(750)
<u>39,715</u>	<u>41,007</u>	<u>1,292</u>	<u>78,244</u>	<u>52,318</u>	<u>(25,926)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	543,169	209,217	333,952
38,000	36,000	2,000	0	0	0
<u>4,448</u>	<u>3,722</u>	<u>726</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>42,448</u>	<u>39,722</u>	<u>2,726</u>	<u>543,169</u>	<u>209,217</u>	<u>333,952</u>
<u>(2,733)</u>	<u>1,285</u>	<u>4,018</u>	<u>(464,925)</u>	<u>(156,899)</u>	<u>308,026</u>
0	0	0	400,000	400,000	0
0	0	0	0	0	0
0	20,000	20,000	0	0	0
0	(20,000)	(20,000)	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>400,000</u>	<u>400,000</u>	<u>0</u>
(2,733)	1,285	4,018	(64,925)	243,101	308,026
<u>7,831</u>	<u>7,831</u>	<u>0</u>	<u>83,116</u>	<u>83,116</u>	<u>0</u>
<u>\$5,098</u>	<u>\$9,116</u>	<u>\$4,018</u>	<u>\$18,191</u>	<u>\$326,217</u>	<u>\$308,026</u>

CITY OF DEER PARK, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS  
 ENTERPRISE FUND  
 For the Year Ended December 31, 1999

	<u>Enterprise</u>
OPERATING REVENUES:	
Charges for services	<u>\$273,310</u>
 Total Operating Revenue	 <u>273,310</u>
OPERATING EXPENSES:	
Personal services	2,366
Contractual Services	237,991
Supplies and materials	5,056
Depreciation	<u>2,200</u>
 Total Operating Expenses	 <u>247,613</u>
 OPERATING INCOME (LOSS)	 <u>25,697</u>
 NET INCOME (LOSS)	 25,697
 RETAINED EARNINGS BEGINNING OF YEAR	 <u>40,126</u>
 RETAINED EARNINGS END OF YEAR	 <u><u>\$65,823</u></u>

See accompanying notes.

CITY OF DEER PARK, OHIO  
 COMBINED STATEMENT OF CASH FLOWS  
 ENTERPRISE FUND  
 For the Year Ended December 31, 1999

	<u>Enterprise</u>
OPERATING ACTIVITIES:	
Operating income (loss)	\$25,697
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,200
Changes in assets and liabilities:	
(Increase) decrease in receivables	1,590
Increase (decrease) in accounts payable	(230)
Increase (decrease) in accrued liabilities	(2,474)
Increase (decrease) in deferred revenue	<u>(394)</u>
Net Cash Provided (Used) by Operating Activities	<u>26,389</u>
 CASH BEGINNING OF YEAR	 <u>33,019</u>
CASH END OF YEAR	<u><u>\$59,408</u></u>

See accompanying notes.

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**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

1. The City appoints a voting majority of the organization's governing body; and (a) is able to impose its will on that organization; or (b) there is a potential for the organization to provide specific financial burdens on the City; or
2. The organization is fiscally dependent upon the City; or
3. The nature of the relationship between the City and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the City misleading.

The City included no component units in the financial statements.

**B. Basis of Presentation**

The financial reporting practices of the City conform to generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies: The accounts of the City are organized on the basis of funds or account groups. A fund is

**CITY OF DEER PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

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

Governmental Fund Types:

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

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

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

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

Proprietary Fund Type:

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

Fiduciary Fund Types:

Agency Funds - Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

Account Groups:

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

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

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

C. Basis of Accounting

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

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

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

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

D. Budget

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

**CITY OF DEER PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
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Estimated Resources - The county budget commission certifies its actions to the City by September 1. As part of this examination the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

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

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

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

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

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

Budget Basis of Accounting

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

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

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

- \* Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- \* Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

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

	<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>			
	<u>Special General</u>	<u>Debt Revenue</u>	<u>Capital Service</u>	<u>Projects</u>
GAAP Basis (as reported)	\$123,017	(\$50,234)	\$1,285	(\$94,937)
Adjustments:				
Revenue Accruals, Net	(13,957)	2,480	0	0
Expenditure Accruals, Net	(202,545)	(23,492)	(39,772)	15,760
Other Financing Sources/Uses, Net	<u>38,000</u>	<u>0</u>	<u>39,772</u>	<u>322,278</u>
<b>BUDGET BASIS</b>	<u><b>(\$55,485)</b></u>	<u><b>(\$71,246)</b></u>	<u><b>\$ 1,285</b></u>	<u><b>\$243,101</b></u>

E. Fixed Assets

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

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

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

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

**CITY OF DEER PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

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

F. Interfund Transactions

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

G. Fund Balance Reserves

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

H. Grants and Other Intergovernmental Revenues

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

I. Compensated Absences

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

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

J. Pooled Cash and Investments

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

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

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

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

**K. Total Columns on Combined Financial Statements**

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

**L. Proprietary Fund Accounting**

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

**2. PROPERTY TAXES**

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

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

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

business) is assessed at 25 percent of average value for inventories and 25 percent of true value for all other personal property.

The property tax calendar is as follows:

Levy date	April 1, 1998
Lien date	January 1, 1998
Tax bill mailed	January 20, 1999
First installment payment due	February 15, 1999
Second installment payment due	July 15, 1999

The assessed valuation upon which the 1998 levy was based is as follows:

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

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

**3. RETIREMENT SYSTEM**

**A. Public Employees Retirement System**

Plan Description: The City of Deer Park contributes to PERS, a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the PERS Retirement Board. PERS issues a publicly available financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 466-2085.

Funding Policy: The ORC provides statutory authority for employee and employer contributions. The 1999 employee contribution rate is 8.5%, and the employer contribution rate is 13.55% of covered payroll. The contribution requirements of plan members and the City of Deer Park are established and may be amended by the PERS Retirement Board. The City's contributions for the years ending December 31, 1999,

**CITY OF DEER PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

1998, and 1997 were \$60,328, \$67,212, and \$56,452 respectively, equal to the required contributions for each year.

Other Postemployment Benefits

In addition to the pension benefit obligation described above, the PERS of Ohio also provides postemployment health care benefits to age and service retirants with ten (10) or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. Funding and accounting were on a pay-as-you-go basis. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. A portion of each employer's contribution to PERS is set-aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postretirement health care through their contributions to PERS. The portion of the current year employer contribution rate (identified above) that was used to fund health care for the year was 4.2 percent of covered payroll, which amounted to \$18,699.

The significant assumptions and calculations described below were based on the PERS of Ohio's latest unaudited information as of December 31, 1999; there were 118,062 eligible benefit recipients. Expenditures for benefits during 1999 were \$523,559,349. Estimated net assets available for future benefit payments were \$9,870,285,641. Benefits are financed through employer contributions and investment earnings there on. The contributions, invest income and periodic adjustments in health care provisions are expected to be sustain the program indefinitely.

**B. Police and Firemen's Disability and Pension Fund**

**Plan Description:** The City of Deer Park contributes to PFDPF, a cost-sharing multiple-employer defined benefit pension plan. PFDPF provides retirement and disability benefits to plan members and death benefits to beneficiaries. Chapter 742 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the PFDPF Retirement Board. PFDPF issues a publicly available financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio, 43215-5164, or by calling (614) 466-2085.

**Funding Policy:** The ORC provides statutory authority for employee and employer contributions. The employee contribution rates are 10% for both police and firefighters. The 1999 employer contribution rate for employers was 19.5% and 24% of covered payroll for police and firefighters respectively. The contribution requirements of plan members of the City of Deer Park are established and may be amended by the PFDPF Retirement Board. The City's contributions for the years ending 1999, 1998, and 1997

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

were \$112,009, \$115,476, \$106,383 respectively, equal to the required contribution for each year.

Other Postemployment Benefits

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

The portion of the current year City contribution that was used to fund postemployment health care benefits was \$38,044 and \$4,821 representing 7.0 percent of covered payroll for police and firefighters respectively. Funding and accounting are on a pay-as-you-go basis. As of December 31, 1998, the number of participants eligible to receive health care benefits was 11,424 for police and 9,186 for fire. The PFDPF System of Ohio does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1998 were \$78,596,790.

**4. NOTES PAYABLE**

Notes payable activity for the City for the year ended December 31, 1999 was as follows:

	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/99</u>
Bond Anticipation Notes:				
Street Improvements, 4.76% reissued at 4.40%	\$ 67,000	0	( 67,000)	0
Fire Apparatus, 4.56% reissued at 4.40%	74,000	0	( 74,000)	0
Fire District, 3.89%	0	400,000	0	400,000

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

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**5. FIXED ASSETS**

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

	<u>Balance 01/01/99</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/99</u>
Land	\$ 51,335	\$ 0	\$ 0	\$ 51,335
Buildings & Improvements	228,901	0	0	228,901
Machinery & Equipment	<u>1,220,339</u>	<u>26,055</u>	<u>0</u>	<u>1,246,394</u>
Total	<u>\$1,550,575</u>	<u>\$ 26,055</u>	<u>\$ 0</u>	<u>\$1,526,630</u>

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

	<u>Balance 12/31/99</u>
Machinery & equipment	\$22,000
Accumulated depreciation	<u>(\$6,600)</u>
Net fixed assets	<u>\$15,400</u>

**6. CASH AND INVESTMENTS**

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

**A. Legal Requirements**

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

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

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Non-negotiable and negotiable interest bearing time certificates of deposit and savings accounts.

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

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

B. Deposits

At year-end, the carrying amount of the City's deposits was \$371,361 and the bank balance was \$602,247. Of the bank balance:

1. \$145,872 was covered by federal depository insurance.
2. All remaining deposits were covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. The entire amount above is defined by GASB statement No. 3 as being collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

C. Investments:

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

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

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

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

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

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

<u>Description</u>	<u>Category</u>	<u>Carrying Value/ Fair Value</u>
STAR Ohio	Unclassified	\$686,565

**7. CONTINGENCIES**

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

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**8. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial general liability insurance against these risks and all other risks of loss, including workers' compensation and employee health and accident insurance.

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

**9. CREATION OF JOINT FIRE DISTRICT**

In April of 1999, the City of Deer Park and the City of Silverton discontinued their Fire Departments. A new separate entity was created, The Deer Park-Silverton Joint Fire District.

**10. CHANGE IN GENERAL LONG-TERM OBLIGATIONS**

	<u>1998</u>	<u>Decrease</u>	<u>1999</u>
Compensated Absences	\$124,425	(\$14,637)	\$109,788

**11. COMPLIANCE AND ACCOUNTABILITY**

Budgetary

The Fire and Life Squad Levies and Ohio Public Works funds had total expenditures, which exceeded total appropriations.

The City did not certify the availability of funds for certain commitments, and those commitments were not properly encumbered.

Waste Collections

Remittance stubs for Waste Collection receipts were not maintained.

Mayor's Court

Money due to the State and to the City were not distributed in the time period required by Ohio Rev. Code, Sections 733.40.

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

Capital Projects Fund

The Capital Projects Fund had a deficit fund balance of \$88,702. The deficit was caused by the application of generally accepted accounting principles to the financial reporting of this fund type. 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, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 December 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Pooled cash and investments	\$612,363	\$169,770	\$7,831	\$83,116
Receivables (net of allowance for uncollectables):				
Taxes	260,835	161,433	35,835	0
Accounts	0	69	0	0
Intergovernmental	101,426	13,451	0	0
Interfund	6,112	0	0	0
Fixed assets (net, where applicable of accumulated depreciation)	0	0	0	0
Amount to be provided for retirement of general long-term obligations	0	0	0	0
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b><u>\$980,736</u></b>	<b><u>\$344,723</u></b>	<b><u>\$43,666</u></b>	<b><u>\$83,116</u></b>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$23,888	\$7,185	\$0	\$792
Accrued wages and benefits	161,606	20,142	0	0
Interest payable	1,605	0	0	2,089
Interfund payable	0	0	0	0
Compensated absences	5,943	1,888	0	0
Due to others	0	0	0	0
Deferred revenue	232,362	161,433	35,835	0
Notes payable	67,000	0	0	74,000
<b>Total Liabilities</b>	<b><u>492,404</u></b>	<b><u>190,648</u></b>	<b><u>35,835</u></b>	<b><u>76,881</u></b>
Equity and Other Credits:				
Investment in general fixed assets	0	0	0	0
Retained earnings - unreserved	0	0	0	0
Fund Balances:				
Unreserved, undesignated	488,332	154,075	7,831	6,235
<b>Total Equity and Other Credits</b>	<b><u>488,332</u></b>	<b><u>154,075</u></b>	<b><u>7,831</u></b>	<b><u>6,235</u></b>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b><u>\$980,736</u></b>	<b><u>\$344,723</u></b>	<b><u>\$43,666</u></b>	<b><u>\$83,116</u></b>

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals
		General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
Enterprise	Agency			
\$33,019	\$7,882	\$0	\$0	\$913,981
0	0	0	0	458,103
18,606	0	0	0	18,675
0	0	0	0	114,877
0	0	0	0	6,112
17,600	0	1,500,575	0	1,518,175
0	0	0	124,425	124,425
<u>\$69,225</u>	<u>\$7,882</u>	<u>\$1,500,575</u>	<u>\$124,425</u>	<u>\$3,154,348</u>
\$21,126	\$0	\$0	\$0	\$52,991
2,474	0	0	0	184,222
0	0	0	0	3,694
0	6,112	0	0	6,112
0	0	0	124,425	132,256
0	1,770	0	0	1,770
5,499	0	0	0	435,129
0	0	0	0	141,000
29,099	7,882	0	124,425	957,174
0	0	1,500,575	0	1,500,575
40,126	0	0	0	40,126
0	0	0	0	656,473
40,126	0	1,500,575	0	2,197,174
<u>\$69,225</u>	<u>\$7,882</u>	<u>\$1,500,575</u>	<u>\$124,425</u>	<u>\$3,154,348</u>

CITY OF DEER PARK, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 For the Year Ended December 31, 1998

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
<b>REVENUES:</b>					
Taxes	\$1,294,532	\$165,136	\$36,746	\$0	\$1,496,414
Fines, licenses and permits	65,938	1,935	0	0	67,873
Intergovernmental	378,565	252,394	4,756	0	635,715
Special assessments	553	0	0	0	553
Charges for services	23,502	0	0	0	23,502
Interest	40,316	371	0	0	40,687
Other	124,650	60,556	0	59,099	244,305
<b>Total Revenues</b>	<b>1,928,056</b>	<b>480,392</b>	<b>41,502</b>	<b>59,099</b>	<b>2,509,049</b>
<b>EXPENDITURES:</b>					
Current:					
General government	712,834	0	0	0	712,834
Public safety	909,940	249,994	0	0	1,159,934
Public health and welfare	4,815	0	0	0	4,815
Leisure time activities	39,331	26,137	0	0	65,468
Community development	22,879	11,414	0	0	34,293
Basic utility service	5,659	0	0	0	5,659
Transportation and street repair	90,877	149,758	0	0	240,635
Capital outlay	0	33,579	0	33,410	66,989
Debt service:					
Interest	4,027	0	0	4,778	8,805
<b>Total Expenditures</b>	<b>1,790,362</b>	<b>470,882</b>	<b>0</b>	<b>38,188</b>	<b>2,299,432</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>137,694</b>	<b>9,510</b>	<b>41,502</b>	<b>20,911</b>	<b>209,617</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers - in	11,560	40,000	0	49,792	101,352
Operating transfers - (out)	(50,000)	(11,560)	(39,792)	0	(101,352)
<b>Total Other Financing Sources (Uses)</b>	<b>(38,440)</b>	<b>28,440</b>	<b>(39,792)</b>	<b>49,792</b>	<b>0</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>99,254</b>	<b>37,950</b>	<b>1,710</b>	<b>70,703</b>	<b>209,617</b>
<b>FUND BALANCES, BEGINNING OF YEAR (Restated)</b>	<b>389,078</b>	<b>116,125</b>	<b>6,121</b>	<b>(64,468)</b>	<b>446,856</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$488,332</b>	<b>\$154,075</b>	<b>\$7,831</b>	<b>\$6,235</b>	<b>\$656,473</b>

See accompanying notes.

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CITY OF DEER PARK, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NON-GAAP BASIS ALL GOVERNMENTAL FUND TYPES  
 For the Fiscal Year End December 31, 1998

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
Local taxes	\$1,120,000	\$1,297,450	\$177,450	\$176,000	\$165,136	(\$10,864)
Intergovernmental revenues	122,000	304,320	182,320	218,000	246,543	28,543
Charges for services	24,500	23,502	(998)	0	0	0
Fines, licenses and permits	60,600	59,826	(774)	1,500	1,866	366
Interest revenue	30,000	40,316	10,316	0	371	371
Special assessments	1,000	553	(447)	0	0	0
All other revenues	51,100	124,650	73,550	11,100	60,556	49,456
<b>Total Revenues</b>	<b>1,409,200</b>	<b>1,850,617</b>	<b>441,417</b>	<b>406,600</b>	<b>474,472</b>	<b>67,872</b>
<b>EXPENDITURES:</b>						
Current:						
Public safety	1,013,625	910,254	103,371	261,375	242,076	19,300
Public health and welfare	4,825	4,815	10	0	0	0
Leisure time activities	43,575	39,317	4,258	0	26,137	(26,137)
Community development	24,215	23,822	393	11,414	11,414	0
Transportation and street repair	122,300	116,328	5,972	169,621	145,595	24,026
General government	684,202	628,192	56,010	0	0	0
Capital outlay	0	0	0	30,030	33,579	(3,549)
Debt service:						
Principal	29,000	29,000	0	8,000	8,000	0
Interest and fiscal charges	1,348	1,348	0	3,560	3,560	0
<b>Total Expenditures</b>	<b>1,923,090</b>	<b>1,753,076</b>	<b>170,014</b>	<b>484,000</b>	<b>470,360</b>	<b>13,640</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(513,890)	97,541	611,431	(77,400)	4,111	81,512
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers - in	0	0	0	40,000	40,000	0
Operating transfers - (out)	(50,000)	(50,000)	0	0	0	0
Advances - in	0	20,000	20,000	0	0	0
Advances - (out)	0	(20,000)	(20,000)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(50,000)</b>	<b>(50,000)</b>	<b>0</b>	<b>40,000</b>	<b>40,000</b>	<b>0</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(563,890)	47,541	611,431	(37,400)	44,111	81,512
Fund Balance at Beginning of Year (Restated)	564,822	564,822	0	125,659	125,659	0
<b>Fund Balance at End of Year</b>	<b>\$932</b>	<b>\$612,363</b>	<b>\$611,431</b>	<b>\$88,259</b>	<b>\$169,770</b>	<b>\$81,512</b>

See accompanying notes.

Debt Service Fund			Capital Projects Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$39,000	\$36,746	(\$2,254)	\$0	\$0	\$0
0	0	0	0	0	0
0	4,756	4,756	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	5,000	34,099	29,099
<u>39,000</u>	<u>41,502</u>	<u>2,502</u>	<u>5,000</u>	<u>34,099</u>	<u>29,099</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	68,443	32,618	35,825
34,000	34,000	0	0	0	0
6,000	5,792	208	0	0	0
<u>40,000</u>	<u>39,792</u>	<u>208</u>	<u>68,443</u>	<u>32,618</u>	<u>35,825</u>
<u>(1,000)</u>	<u>1,710</u>	<u>2,710</u>	<u>(63,443)</u>	<u>1,481</u>	<u>64,924</u>
0	0	0	10,000	10,000	0
0	0	0	0	0	0
0	20,000	20,000	0	0	0
0	(20,000)	(20,000)	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
(1,000)	1,710	2,710	(53,443)	11,481	64,924
6,121	6,121	0	71,635	71,635	0
<u>\$1,758</u>	<u>\$7,831</u>	<u>\$6,073</u>	<u>\$16,243</u>	<u>\$83,116</u>	<u>\$66,873</u>

CITY OF DEER PARK, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS  
 ENTERPRISE FUND  
 For the Year Ended December 31, 1998

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING REVENUES:	
Charges for services	<u>\$190,824</u>
Total Operating Revenue	<u>190,824</u>
OPERATING EXPENSES:	
Personal services	15,759
Contractual Services	147,908
Supplies and materials	2,104
Depreciation	<u>2,200</u>
Total Operating Expenses	<u>167,971</u>
OPERATING INCOME (LOSS)	<u>22,853</u>
NET INCOME (LOSS)	22,853
RETAINED EARNINGS BEGINNING OF YEAR	<u>17,273</u>
RETAINED EARNINGS END OF YEAR	<u><u>\$40,126</u></u>

See accompanying notes.

CITY OF DEER PARK, OHIO  
 COMBINED STATEMENT OF CASH FLOWS  
 ENTERPRISE FUND  
 For the Year Ended December 31, 1998

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING ACTIVITIES:	
Operating income (loss)	\$22,853
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,200
Changes in assets and liabilities:	
(Increase) decrease in receivables	(3,606)
Increase (decrease) in accounts payable	6,797
Increase (decrease) in accrued liabilities	(736)
Increase (decrease) in deferred revenue	<u>5,499</u>
Net Cash Provided (Used) by Operating Activities	<u>33,007</u>
NET INCREASE (DECREASE) IN CASH	33,007
CASH BEGINNING OF YEAR	<u>12</u>
CASH END OF YEAR	<u><u>\$33,019</u></u>

See accompanying notes.

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**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

1. The City appoints a voting majority of the organization's governing body; and (a) is able to impose its will on that organization; or (b) there is a potential for the organization to provide specific financial burdens on the City; or
2. The organization is fiscally dependent upon the City; or
3. The nature of the relationship between the City and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the City misleading.

The City included no component units in the financial statements.

**B. Basis of Presentation**

The financial reporting practices of the City conform to generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies: The accounts of the City are organized on the basis of funds or account groups. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are summarized by type in the combined financial statements. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The following fund types and account groups are used by the City:

**CITY OF DEER PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**

Governmental Fund Types:

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

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

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

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

Proprietary Fund Type:

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

Fiduciary Fund Types:

Agency Funds - Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Account Groups:

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

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

**CITY OF DEER PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**

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

C. Basis of Accounting

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

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

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

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

D. Budget

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

Estimated Resources - The county budget commission certifies its actions to the City by September 1. As part of this examination the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An

**CITY OF DEER PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**

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

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

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

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

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

Budget Basis of Accounting

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

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

- \* Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- \* Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- \* Proceeds from and principal payment on bond and tax anticipation notes are reported on operating statement (budget basis) rather than on the balance sheet (GAAP basis).

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

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

	<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis (as reported)	\$99,254	\$37,950	\$1,710	\$70,703
Adjustments:				
Revenue Accruals, Net	(77,439)	(5,920)	0	(25,000)
Expenditure Accruals, Net	37,286	521	39,792	5,570
Other Financing Sources/Uses, Net	<u>(11,560)</u>	<u>11,560</u>	<u>(39,792)</u>	<u>(39,792)</u>
<b>BUDGET BASIS</b>	<b><u>\$ 47,541</u></b>	<b><u>\$ 44,111</u></b>	<b><u>\$ 1,710</u></b>	<b><u>\$11,481</u></b>

E. Fixed Assets

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

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

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

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

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

F. Interfund Transactions

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such

**CITY OF DEER PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**

transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management.

G. Fund Balance Reserves

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

H. Grants and Other Intergovernmental Revenues

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

I. Compensated Absences

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

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

J. Pooled Cash and Investments

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

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

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

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
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For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less are considered to be cash and cash equivalents.

**K. Total Columns on Combined Financial Statements**

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

**L. Proprietary Fund Accounting**

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

**2. PROPERTY TAXES**

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

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

The property tax calendar is as follows:

Levy date	April 1, 1997
Lien date	January 1, 1997
Tax bill mailed	January 20, 1998
First installment payment due	February 15, 1998
Second installment payment due	July 15, 1998

**CITY OF DEER PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**

The assessed valuation upon which the 1997 levy was based is as follows:

	<u>Assessed Value</u>
Real property (other than public utility)	\$ 67,473,100
Public utility real and personal tangible property	6,261,990
Tangible personal property (other than public utility)	<u>2,307,370</u>
Total Assessed Valuation	<u>\$76,042,460</u>

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

### **3. RETIREMENT SYSTEM**

#### **A. Public Employees Retirement System**

**Plan Description:** The City of Deer Park contributes to PERS, a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the PERS Retirement Board. PERS issues a publicly available financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 466-2085.

**Funding Policy:** The ORC provides statutory authority for employee and employer contributions. The 1998 employee contribution rate is 8.5%, and the employer contribution rate is 13.55% of covered payroll. The contribution requirements of plan members and the City of Deer Park are established and may be amended by the PERS Retirement Board. The City's contributions for the years ending December 31, 1998, 1997, and 1996 were \$67,212, \$56,452, and \$61,827 respectively, equal to the required contributions for each year.

#### Other Postemployment Benefits

In addition to the pension benefit obligation described above, the PERS of Ohio also provides postemployment health care benefits to age and service retirants with ten (10) or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. Funding and accounting were on a pay-as-you-go basis. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions

**CITY OF DEER PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
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are expected to be sufficient to sustain the program indefinitely. A portion of each employer's contribution to PERS is set-aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postretirement health care through their contributions to PERS. The portion of the current year employer contribution rate (identified above) that was used to fund health care for the year was 4.2 percent of covered payroll, which amounted to \$20,164.

The significant assumptions and calculations described below were based on the PERS of Ohio's latest unaudited information as of December 31, 1998; there were 115,579 eligible benefit recipients. Expenditures for benefits during 1998 were \$440,596,663. Estimated net assets available for future benefit payments were \$9,447,325,318. Benefits are financed through employer contributions and investment earnings there on. The contributions, invest income and periodic adjustments in health care provisions are expected to be sustain the program indefinitely.

**B. Police and Firemen's Disability and Pension Fund**

**Plan Description:** The City of Deer Park contributes to PFDPF, a cost-sharing multiple-employer defined benefit pension plan. PFDPF provides retirement and disability benefits to plan members and death benefits to beneficiaries. Chapter 742 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the PFDPF Retirement Board. PFDPF issues a publicly available financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio, 43215-5164, or by calling (614) 466-2085.

**Funding Policy:** The ORC provides statutory authority for employee and employer contributions. The employee contribution rates are 10% for both police and firefighters. The 1998 employer contribution rate for employers was 19.5% and 24% of covered payroll for police and firefighters respectively. The contribution requirements of plan members of the City of Deer Park are established and may be amended by the PFDPF Retirement Board. The City's contributions for the years ending 1998, 1997, and 1996 were \$118,753, \$115,476, and \$106,383 respectively, equal to required contribution for each year.

Other Postemployment Benefits

The PFDPF System of Ohio provides postemployment health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a two-thirds basis. The Ohio Revised Code provides statutory authority for employer contributions and allows the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
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contributions to the PFDPF System of Ohio. Most retirees are required to contribute a portion of the cost of their health care coverage.

The portion of the current year City contribution that was used to fund postemployment health care benefits was \$31,781 and \$6,813 representing 6.50 percent of covered payroll for police and firefighters respectively. Funding and accounting are on a pay-as-you-go basis. As of December 31, 1997, the number of participants eligible to receive health care benefits was 11,239 for police and 9,025 for fire. The PFDPF System of Ohio does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1997 were \$76,459,832.

**4. CHANGE IN ACCOUNTING PRINCIPLE**

**A. Implementation of GASB Statement No. 32**

The Internal Revenue Code previously required that Section 457 deferred compensation plan assets remain the property of the employer government until available to the employee or beneficiary. Under these regulations, plan assets are recorded in the City's Deferred Compensation agency fund.

Recent changes to the Internal Revenue Code require Section 457 plan assets to be held in trust for the exclusive benefit of the employees. These plans must establish trust agreements prior to January 1, 1999. GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," requires that such assets held in trust, not be reflected on the government's financial statements.

During 1998, The Ohio Public Employees Deferred Compensation Plan and Aetna Deferred Compensation Plan adopted trust agreements. Accordingly, agency fund assets as of January 1, 1998 have been reduced by \$309,838.

**B. Implementation of GASB Statement No. 31**

The City has adopted GASB Statement No. 31, which requires investments to be reported at fair value. Differences between cost and fair value were deemed immaterial at year-end.

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

**5. NOTES PAYABLE**

Notes payable activity for the City for the year ended December 31, 1998 was as follows:

	<u>Balance 01/01/98</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/98</u>
Bond Anticipation Notes:				
Street Improvements, 4.76% reissued at 4.40%	\$ 75,000	0	( 8,000)	67,000
Fire Apparatus, 4.56% reissued at 4.40%	108,000	0	(34,000)	74,000
Real Estate Acquisition, 4.66%	29,000	0	(29,000)	0

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

**6. FIXED ASSETS**

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

	<u>Balance 01/01/98</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/98</u>
Land	\$ 51,335	\$ 0	\$ 0	\$ 51,335
Buildings & Improvements	233,638	0	4,737	228,901
Machinery & Equipment	<u>1,167,659</u>	<u>64,963</u>	<u>12,283</u>	<u>1,220,339</u>
Total	<u>\$1,452,632</u>	<u>\$64,963</u>	<u>\$17,020</u>	<u>\$1,500,575</u>

A summary of enterprise fund fixed assets follows:

	<u>Balance 12/31/98</u>
Machinery & equipment	\$22,000
Accumulated depreciation	<u>(\$4,400)</u>
Net fixed assets	<u>\$17,600</u>

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

**7. CASH AND INVESTMENTS**

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

**A. Legal Requirements**

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);
7. Non-negotiable and negotiable interest bearing time certificates of deposit and savings accounts.

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

**B. Deposits**

At year-end, the carrying amount of the City's deposits was \$260,919 and the bank balance was \$288,029. Of the bank balance:

1. \$124,257 was covered by federal depository insurance.
2. All remaining deposits were covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. The entire amount above is defined by GASB statement No. 3 as being collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

**C. Investments:**

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

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

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

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

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

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

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

<u>Description</u>	<u>Category</u>	<u>Carrying Value/ Fair Value</u>
STAR Ohio	Unclassified	\$653,062

**8. CHANGES IN GENERAL LONG-TERM OBLIGATIONS**

	<u>1997</u>	<u>Increase</u>	<u>1998</u>
Compensated Absences	\$121,019	\$3,406	\$124,425

**9. CONTINGENCIES**

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

**10. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial general liability insurance against these risks and all other risks of loss, including workers' compensation and employee health and accident insurance.

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

**11. COMPLIANCE AND ACCOUNTABILITY**

Budgetary

The Veterans Memorial Fund funds had total expenditures, which exceeded total appropriations.

The City did not certify the availability of funds for certain commitments, and those commitments were not properly encumbered.

**CITY OF DEER PARK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

Waste Collections

Remittance stubs for Waste Collection receipts were not maintained.

Mayor's Court

Money due to the State and to the City were not distributed in the time period required by Ohio Rev. Code, Sections 733.40.

**12. RESTATEMENT OF PRIOR YEAR BALANCES**

For the year ended December 31, 1997, the City had audit adjustments for the application of generally accepted accounting principles which were incorrectly posted. The audit adjustments required the beginning January 1, 1998, fund balance be changed.

The restatement to beginning fund balances are as follows:

<u>Fund Type</u>	Previously Stated Balance <u>12/31/97</u>	<u>Adjustments</u>	Restated <u>1/1/98</u>
Debt Service	\$2,758	\$3,363	\$6,121
Capital Projects	(87,443)	22,975	(64,468)

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

City of Deer Park  
Hamilton County  
4250 Matson Avenue  
Deer Park, Ohio 45236

To the City Council:

We have audited the financial statements of the City of Deer Park, Hamilton County, Ohio (the City), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 29, 2000, wherein we noted that the City changed its method of accounting for certain investments and its deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-20431-001 to 1999-20431-005.

We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 29, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-20431-004 and 1999-20431-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider reportable condition item 1999-20431-006 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 29, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

August 29, 2000

**CITY OF DEER PARK  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

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

**FINDING NUMBER 1999-20431-001**

**Material Noncompliance**

Ohio Rev. Code, Section 733.40, states that all fines, forfeitures and costs, and all fees collected by the Mayor shall be paid into the City treasury and State on the first Monday of each month. The Mayor's Court failed to make distributions to the City and State by the required date during the audit period.

**FINDING NUMBER 1999-20431-002**

**Material Noncompliance**

Ohio Rev. Code, Section 149.351(A), provides that "All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42, Ohio Rev. Code." The City was not maintaining remittance stubs for Waste Collection receipts during the audit period.

**FINDING NUMBER 1999-20431-003**

**Material Noncompliance**

Ohio Rev. Code, Section 5705.42, states, when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into any agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision, and is deemed in process of collection within the meaning of Section 5705.41 of the Rev. Code.

The fiscal officer shall record the appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Rev. Code, Section 5705.40, requires the legislative authority to pass a resolution amending its appropriation measure.

The fiscal officer did not record the Ohio Public Works money granted to the City, nor was the grant money included in the appropriations for fiscal year 1999. However, the grant has been recorded on the financial statements for the year ended December 31, 1999.

**CITY OF DEER PARK  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**FINDING NUMBER 1999-20431-004**

**Material Noncompliance/ Reportable Condition**

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

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

- If no certificate is furnished as receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of any previous encumbrances, the City may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without affirmation of the City Council, if such expenditures is otherwise valid.

Contrary to the above requirements, the City failed to obtain the certification of the availability of funds from the Auditor prior to the invoice date for ninety-five percent of the expenditures tested. Also, the purchase orders that were completed did not contain the Auditor’s certification stating that funds were available to meet expenditures. Failure to properly certify the availability of funds, encumber expenditures, and monitor appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the City certify the availability of funds and approve purchase orders which contain the Auditor’s certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**FINDING NUMBER 1999-20431-005**

**Material Noncompliance**

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds were found to have total expenditures which exceeded total appropriations as of December 31, 1998 and 1999:

Fund	Total Appropriation	Total Expenditures	Variance
<b>FY 1998:</b>			
Veterans Memorial Fund	\$ 29,292	\$ 32,618	\$ 3,326
<b>FY 1999:</b>			
Fire and Life Squad Levies	41,400	80,019	38,619
Ohio Public Works	0	51,068	51,068

The City appropriates by line item (i.e., fund, function, and object). For 100% of the line items tested throughout the audit period, expenditures exceeded appropriations by a total of \$34,078 during 1999, and by a total of \$14,304 during 1998. The City should monitor expenditures throughout the fiscal year and make supplemental appropriations as needed.

**CITY OF DEER PARK  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**FINDING NUMBER 1999-20431-006**

**Reportable Condition/ Material Weakness**

We noted the following internal control weakness during our review of the Waste Collections receipt procedures:

- There is a lack of separation of duties in the Waste Collections Department. The Waste Collections Clerk is responsible for the billing, collection, posting, and depositing of waste receipts. There is also no review of these procedures.
- The remittance stubs, which are the source documentation for waste receipts collected through the mail, were not retained.
- The Clerk was backdating receipt posting in the computer system ledgers.
- Monthly receipts ledgers are not being printed.
- Monthly reconciliations are not being performed between the Waste Collections department subsidiary ledgers and the City's general ledger.
- There are no policy or procedures to monitor or collect delinquent accounts.
- There was no consistency in the way uncollected accounts were written off during the audit period.

Since there is only one person responsible for billing and collection cycles of the Waste Collections receipts, the City Auditor should review the department's ledgers for accuracy.

The Waste Collections remittance stubs need to be retained and attached to the daily collection report as supporting documentation for the daily receipts deposited.

The Clerk should post receipts into the system as they are collected to ensure proper posting of receipt transactions.

Monthly reports should be printed, reviewed for accuracy, and maintained for future reference.

Monthly reconciliations of receipts collected should be performed between the Waste Collections Department and the City's ledgers by the City Auditor.

The City should develop a policy for monitoring, collecting, and writing off of bad accounts. This policy should require management approval (i.e., City Auditor) before uncollectible accounts are written off or adjusted.

Implementing the procedures described above will help to detect possible posting errors and reduce the risk of misappropriation of funds within the Waste Collections Department.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**CITY OF DEER PARK**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 26, 2000**