



Mary Taylor, CPA
Auditor of State

VILLAGE OF TERRACE PARK
HAMILTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Agency Fund - For the Year Ended December 31, 2009.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Agency Fund - For the Year Ended December 31, 2008.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	23

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Mary Taylor, CPA
Auditor of State

Village of Terrace Village
Hamilton County
428 Elm Avenue
Terrace Park, Ohio 45174

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 21, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Terrace Village
Hamilton County
428 Elm Avenue
Terrace Park, Ohio 45174

To the Village Council:

We have audited the accompanying financial statements of the Village of Terrace Park, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Terrace Park, Hamilton County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 21, 2010

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$1,125,398	\$16,067	\$130,167		\$1,271,632
Intergovernmental	311,390	144,469	19,111		474,970
Special Assessments		52,193			52,193
Fines, Licenses and Permits	88,650	4,361			93,011
Earnings on Investments	6,289	924		\$22	7,235
Miscellaneous	2,135	255			2,390
Total Cash Receipts	<u>1,533,862</u>	<u>218,269</u>	<u>149,278</u>	<u>22</u>	<u>1,901,431</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	780,046	710			780,756
Public Health Services	3,422				3,422
Leisure Time Activities	3,200				3,200
Community Environment	82,397	43,010			125,407
Basic Utility Service	124,164				124,164
Transportation	288,241	91,181			379,422
General Government	410,877	4,240	757		415,874
Debt Service:					
Redemption of Principal			45,000		45,000
Interest and Fiscal Charges			85,731		85,731
Capital Outlay		11,961		36,963	48,924
Total Cash Disbursements	<u>1,692,347</u>	<u>151,102</u>	<u>131,488</u>	<u>36,963</u>	<u>2,011,900</u>
Total Receipts Over/(Under) Disbursements	<u>(158,485)</u>	<u>67,167</u>	<u>17,790</u>	<u>(36,941)</u>	<u>(110,469)</u>
Other Financing Receipts:					
Other Financing Sources	12,852	200			13,052
Total Other Financing Receipts	<u>12,852</u>	<u>200</u>	<u>0</u>	<u>0</u>	<u>13,052</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(145,633)</u>	<u>67,367</u>	<u>17,790</u>	<u>(36,941)</u>	<u>(97,417)</u>
Fund Cash Balances, January 1	<u>1,673,344</u>	<u>351,499</u>	<u>118,919</u>	<u>54,721</u>	<u>2,198,483</u>
Fund Cash Balances, December 31	<u>\$1,527,711</u>	<u>\$418,866</u>	<u>\$136,709</u>	<u>\$17,780</u>	<u>\$2,101,066</u>
Reserve for Encumbrances, December 31	<u><u>\$92,988</u></u>	<u><u>\$29,896</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$122,884</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF TERRACE PARK
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$73,970</u>
Total Non-Operating Cash Receipts	<u>73,970</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>72,770</u>
Total Non-Operating Cash Disbursements	<u>72,770</u>
Excess of Receipts Over Disbursements	1,200
Fund Cash Balances, January 1	<u>5,886</u>
Fund Cash Balances, December 31	<u><u>\$7,086</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$1,092,582	\$17,953	\$133,322		\$1,243,857
Intergovernmental	470,695	151,090	19,771		641,556
Special Assessments		47,925			47,925
Fines, Licenses and Permits	67,020	3,673			70,693
Earnings on Investments	46,589	4,917		\$30	51,536
Miscellaneous	14,170	190			14,360
Total Cash Receipts	<u>1,691,056</u>	<u>225,748</u>	<u>153,093</u>	<u>30</u>	<u>2,069,927</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	728,812	805			729,617
Public Health Services	3,124				3,124
Leisure Time Activities	477				477
Community Environment	74,572	47,989			122,561
Basic Utility Service	87,985				87,985
Transportation	186,381	56,797			243,178
General Government	359,780	49,700	772		410,252
Debt Service:					
Redemption of Principal			40,000		40,000
Interest and Fiscal Charges			87,131		87,131
Capital Outlay		11,324		30,377	41,701
Total Cash Disbursements	<u>1,441,131</u>	<u>166,615</u>	<u>127,903</u>	<u>30,377</u>	<u>1,766,026</u>
Total Receipts Over/(Under) Disbursements	<u>249,925</u>	<u>59,133</u>	<u>25,190</u>	<u>(30,347)</u>	<u>303,901</u>
Other Financing Receipts:					
Other Financing Sources	14,708				14,708
Total Other Financing Receipts	<u>14,708</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,708</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>264,633</u>	<u>59,133</u>	<u>25,190</u>	<u>(30,347)</u>	<u>318,609</u>
Fund Cash Balances, January 1	<u>1,408,711</u>	<u>292,366</u>	<u>93,729</u>	<u>85,068</u>	<u>1,879,874</u>
Fund Cash Balances, December 31	<u>\$1,673,344</u>	<u>\$351,499</u>	<u>\$118,919</u>	<u>\$54,721</u>	<u>\$2,198,483</u>
Reserve for Encumbrances, December 31	<u>\$32,662</u>	<u>\$1,306</u>	<u>\$0</u>	<u>\$0</u>	<u>\$33,968</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF TERRACE PARK
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$38,458</u>
Total Non-Operating Cash Receipts	<u>38,458</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>34,121</u>
Total Non-Operating Cash Disbursements	<u>34,121</u>
Excess of Receipts Over Disbursements	4,337
Fund Cash Balances, January 1	<u>1,549</u>
Fund Cash Balances, December 31	<u><u>\$5,886</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Terrace Park, Hamilton County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road maintenance, fire, police and basic life support services. The Village contracts with the Miami Township Fire and EMS Department of Clermont County to provide advanced life support services.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool which provides the Village with liability and property insurance coverage. Note 8 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Special Tree Program Fund – This fund receives special assessment monies to fund the planting and preservation of Village trees.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

Bond Retirement Fund – This fund receives property tax and homestead and rollback monies which are used to pay the principal and interest on Building Facilities and Equipment bonds.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Community Building Complex and Fire Truck Fund – This fund received proceeds from the issuance of bonds which were issued in 2005 to pay the costs of improvements to the community building and for the purchase of a new fire truck.

5. Fiduciary Fund

The Village's fiduciary fund consists of the agency fund.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for fines and costs from criminal and traffic citations heard by the Village Mayor's Court.

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. Equity in Pooled Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2009	2008
Demand deposits	\$1,212,997	\$1,312,861
STAR Ohio	888,069	885,622
Mayor's Court demand deposits	7,086	5,886
Total deposits and investments	\$2,108,152	\$2,204,369

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

At December 31, 2009 and 2008, the Village did not fully reconcile the book balance to the bank balances. The variances are identified in Finding 2007-001 in the Schedule of Findings.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,616,342	\$1,546,714	(\$69,628)
Special Revenue	159,100	218,469	59,369
Debt Service	149,600	149,278	(322)
Capital Projects	2,259	22	(2,237)
Total	\$1,927,301	\$1,914,483	(\$12,818)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,889,774	\$1,785,335	\$104,439
Special Revenue	219,840	180,998	38,842
Debt Service	137,500	131,488	6,012
Capital Projects	46,735	36,963	9,772
Total	\$2,293,849	\$2,134,784	\$159,065

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,616,342	\$1,705,764	\$89,422
Special Revenue	210,730	225,748	15,018
Debt Service	149,600	153,093	3,493
Capital Projects	2,259	30	(2,229)
Total	\$1,978,931	\$2,084,635	\$105,704

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,620,445	\$1,473,793	\$146,652
Special Revenue	196,940	167,921	29,019
Debt Service	137,500	127,903	9,597
Capital Projects	64,767	30,377	34,390
Total	\$2,019,652	\$1,799,994	\$219,658

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Building Facilities and Fire Truck/ Equipment Bonds	1,855,000	4.20%
Total	\$1,855,000	

The Village's Building Facilities and Fire Truck/Equipment Bonds were issued on June 1, 2005, in the amount of \$2,100,000 for the purpose of acquiring a new fire truck and reconfiguring and expanding the community building facilities.

The Village will repay the bonds using property taxes and governmental revenue generated from a tax levy approved in November, 2004, for the purpose of issuing these bonds. The debt service payments will be made from the Debt Service Fund.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Building Facilities and Fire Truck/Equipment Bonds
2010	\$129,156
2011	127,581
2012	126,006
2013	129,375
2014	142,500
2015-2019	717,812
2020-2024	765,938
2025-2029	794,163
Total	\$2,932,531

6. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2008</u>	<u>2007</u>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. Subsequent Events

The Village plans to put a 2.85 mill operating levy on the November 2010 ballot.

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Mary Taylor, CPA

Auditor of State

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

Village of Terrace Park
Hamilton County
428 Elm Avenue
Terrace Park, Ohio 45174

To the Village Council:

We have audited the financial statements of the Village of Terrace Park, Hamilton County, Ohio (the Village), as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated July 21, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated July 21, 2010.

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

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 21, 2010

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance/ Material Weakness

Ohio Rev. Code, Section 733.28, requires the Village Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

In addition, **Ohio Admin. Code, Section 117-2-02**, requires public offices to maintain an accounting system and accounting records sufficient to enable the public to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village had the following posting errors which resulted in audit adjustments and reclassifications to the financial statements:

- In 2009, \$26,759 of special assessment revenue was recorded in the General fund instead of the Tree fund;
- In 2009, \$93,008 of inheritance tax was recorded as taxes instead of intergovernmental;
- In 2009, \$5,063 of permissive motor vehicle license tax was recorded in the Street and State Highway funds instead of the Motor Vehicle License Tax fund.
- In 2009, \$19,771 of homestead and rollback was recorded in the General fund instead of to the Debt Service fund.
- In 2008, \$12,827 of special assessment revenue was recorded in the General fund instead of the Tree fund;
- In 2008, \$7,000 of real estate revenue was recorded in the General fund instead of the Debt Service fund;
- In 2009, \$242,511 of inheritance tax was recorded as taxes instead of intergovernmental;
- In 2009, \$10,555 of permissive motor vehicle license tax was recorded in the Street and State Highway funds instead of the Motor Vehicle License Tax fund.
- In 2009, \$19,110 of homestead and rollback was recorded in the General fund instead of to the Debt Service fund.
- In 2008, prior period OPERS employer portion totaling \$4,220 was not posted to the accounting records.
- In 2009, the Village erroneously recorded as an expenditure the opening of a \$26,300 escrow account.

**FINDING NUMBER 2009-001
 (Continued)**

- In 2008, \$1,765 in expenditures were not posted to the check register for the Building Account.
- In 2009, Series 5000 number checks, which comprised the employee portion of retirement contributions totaling \$66,968 were not posted.
- At December 31, 2008 and 2009, the Village’s bank balance was more than the book balance by \$6,666 and \$6,648 respectively.
- Detailed accurate reconciliations between the bank and the book were not performed for each month of the audit period.

Also the combined financial statements generated by the Village accounting system for the annual financial report does not classify all disbursements by function. The following amounts were presented on the Village annual financial report at the object level, and required audit adjustments to reclassify these amounts to the function level:

		Audit Adjustment			
Year	Fund Type	Object	Amount	Function	Amount
2009	Special Revenue	Materials and Supplies	(\$4,240)	General Government	\$4,240
2008	Special Revenue	Materials and Supplies	(900)	General Government	900
2008	Special Revenue	Contractual Services	(48,800)	General Government	48,800

As a result of these errors, the Village inaccurately reported receipts and disbursements classifications and fund balances on their annual report. The Village posted adjustments to the annual report and accounting records. We recommend that the Village exercise due care in posting financial transactions and preparing their annual report. The Fiscal Officer should also refer to the Village Handbook to assist in the accurate posting of the Village’s financial transactions.

FINDING NUMBER 2009-002

Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively:

1. “Then and Now” Certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2009-002
(Continued)**

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds for purchase commitments for forty percent (40%) of expenditures tested, for both 2008 and 2009 and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2009-003

Material Weakness

Although the Village performed bank reconciliations for the entire audit period, the reconciliations did not accurately reconcile the bank account to the accounting system general ledger fund balances for the two year audit period. The following weaknesses were noted:

- At December 31, 2009, the Village's accounting system general ledger reported \$6,648 more than the reconciled bank account balance (bank balance, less outstanding checks, plus deposits in transit) and at December 31, 2008, the Village's accounting system general ledger reported \$6,666 more than the bank. This variance between the bank and accounting system general ledger varied throughout the audit period and was not identified by the Village.
- The Village uses the Ohio Township Accounting System (OTAS). Monthly reconciliations can be printed from the OTAS system but were never utilized. The monthly bank reconciliations were part of the monthly financial packet given to council however, the reconciliations were inaccurate even though approved by the Village Council.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been properly posted to the bank; and all transactions with the bank have been recorded to their records and reported on the financial statements. Failure to post all transactions and to reconcile the accounting system general ledger balance to the bank balance on a regular basis increases the risk of unauthorized or inaccurate transactions, undetected errors, and loss or misappropriation of funds occurring without timely detection. We recommend that the Fiscal Officer perform a detailed reconciliation between the bank balance and the Village's general ledger balance monthly. The reconciled account balance (bank balance, less outstanding checks, plus deposits in transit) plus any investment balance should equal the total fund balance. Any variances should be immediately investigated and an explanation provided for any adjustments needed to be made each month to the accounting system. In addition, the Fiscal Officer should review checks which are outstanding for six or more months to determine the reason they have not been cashed and establish procedures to pay those stale dated checks into an unclaimed money fund. We further recommend that the Village Manager, a member of Council or all Council members review and sign off on the reconciliations thereby indicating approval and monitoring the timeliness of these bank reconciliations.

Officials' response to the findings reported above:

We have reviewed the fiscal 2008, 2009 Audit performed by the state of Ohio and been debriefed by the auditors who handled our case. After reviewing the findings we will implement procedures to ensure future compliance with all findings.

Mark Holcomb, Chief Fiscal Officer
Village of Terrace Park

Jay Gohman, Mayor
Village of Terrace Park

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC, 733.28, maintain accurate books and statements.	No	Reissued as finding 2009-001
2007-002	ORC 5705.41(D), obtain prior approval before all purchases.	No	Reissued as finding 2009-002



Mary Taylor, CPA
Auditor of State

**VILLAGE OF TERRACE PARK
HAMILTON COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 5, 2010**