

CITY OF DEER PARK

Basic Financial Statements

December 31, 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Deer Park, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Deer Park is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 28, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deer Park (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
June 8, 2011

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Deer Park's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2010.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$49,311. Net assets of governmental activities increased \$41,889, net assets of business-type activities increased by \$7,422.
- The General Fund reported a net change in fund balance of \$71,860.
- Business-type operations reflected operating income of \$7,422.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

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

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2010

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

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

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2010

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

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

Notes to the Financial Statements

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

THE CITY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2010 compared to 2009.

TABLE 1 - NET ASSETS

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|---------------------|---------------------------------|--------------------|---------------------|---------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Assets | | | | | | |
| Current and Other Assets | \$ 3,709,759 | \$ 3,557,068 | \$ (28,371) | \$ (66,766) | \$ 3,681,388 | \$ 3,490,302 |
| Capital Assets, Net | 3,729,998 | 3,770,697 | 9,867 | 15,178 | 3,739,865 | 3,785,875 |
| Total Assets | <u>7,439,757</u> | <u>7,327,765</u> | <u>(18,504)</u> | <u>(51,588)</u> | <u>7,421,253</u> | <u>7,276,177</u> |
| Liabilities | | | | | | |
| Current and Other Liabilities | 1,567,664 | 1,134,598 | 26,640 | 978 | 1,594,304 | 1,135,576 |
| Long-Term Liabilities | <u>2,613,784</u> | <u>2,976,747</u> | <u>-</u> | <u>-</u> | <u>2,613,784</u> | <u>2,976,747</u> |
| Total Liabilities | <u>4,181,448</u> | <u>4,111,345</u> | <u>26,640</u> | <u>978</u> | <u>4,208,088</u> | <u>4,112,323</u> |
| Net Assets | | | | | | |
| Invested in Capital Assets, Net of Debt | 1,039,136 | 1,105,861 | 9,867 | 15,178 | 1,049,003 | 1,121,039 |
| Restricted | 522,981 | 665,852 | - | - | 522,981 | 665,852 |
| Unrestricted | <u>1,696,192</u> | <u>1,444,707</u> | <u>(55,011)</u> | <u>(67,744)</u> | <u>1,641,181</u> | <u>1,376,963</u> |
| Total Net Assets | <u>\$ 3,258,309</u> | <u>\$ 3,216,420</u> | <u>\$ (45,144)</u> | <u>\$ (52,566)</u> | <u>\$ 3,213,165</u> | <u>\$ 3,163,854</u> |

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2010

Total net assets, of the City as a whole, increased \$49,311. Net assets of the City's governmental activities increased \$41,889, while the net assets of the City's business-type activities increased \$7,422 from 2009. The City had an unrestricted net assets balance of \$1,696,192 for the governmental activities that may be used to meet the government's ongoing obligations to citizens and creditors. Current and other assets increased mainly due to an increase in property and income taxes receivable as well as intergovernmental receivables due to the City.

Governmental Activities

Property taxes and the 1.5% income tax are the largest sources of revenue for the City. Revenues generated by these taxes represent approximately 77% of the City's governmental activities general revenues. The balance of general revenues is mostly comprised of other intergovernmental revenue sources such as Ohio's estate tax distribution, the State of Ohio's Local Government Fund distribution and other taxes collected by the State and distributed to the City. General Revenues increased mainly due to increased income tax and estate tax receipts received in 2010 or receivable for 2010 compared to 2009. General Government expenses increased due to general inflationary costs.

The changes in net assets for 2010 and 2009 are outlined in Table 2.

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2010

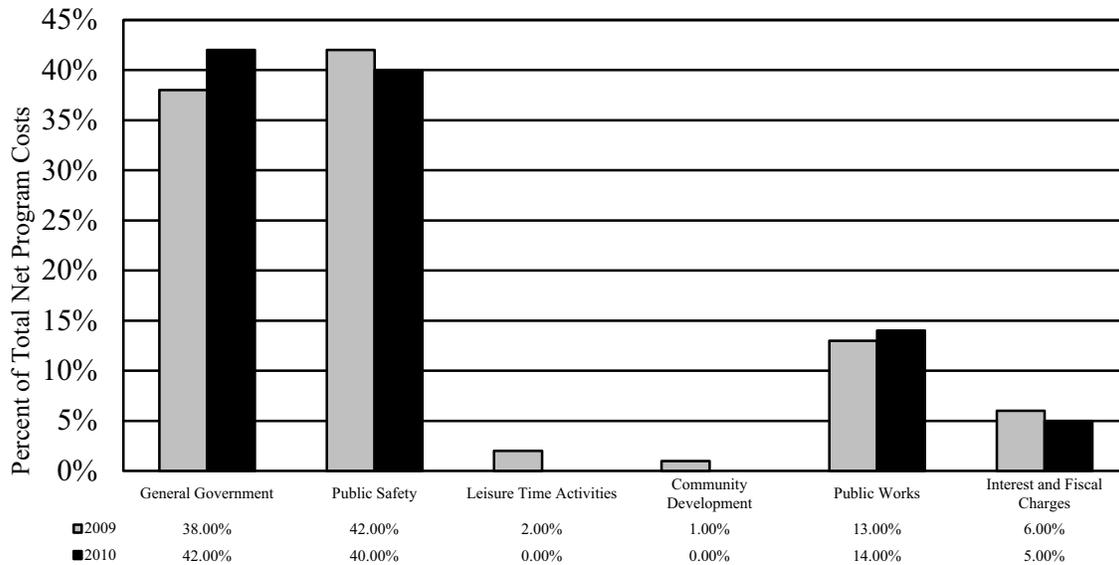
TABLE 2 - CHANGES IN NET ASSETS

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|-------------------------|------------------|--------------------------|----------------|------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 172,694 | \$ 189,953 | \$ 344,357 | \$ 336,293 | \$ 517,051 | \$ 526,246 |
| Operating Grants and Contributions | 612,561 | 3,652 | - | - | 612,561 | 3,652 |
| Capital Grants and Contributions | - | 2,626 | - | - | - | 2,626 |
| Total Program Revenues | 785,255 | 196,231 | 344,357 | 336,293 | 1,129,612 | 532,524 |
| General Revenues | | | | | | |
| Income Taxes | 1,148,011 | 1,066,492 | - | - | 1,148,011 | 1,066,492 |
| Property and Other Taxes | 1,151,839 | 1,250,185 | - | - | 1,151,839 | 1,250,185 |
| Unrestricted Contributions | 675,276 | 405,936 | - | - | 675,276 | 405,936 |
| Investment Earnings | 6,400 | 5,384 | - | - | 6,400 | 5,384 |
| Total General Revenues | 2,981,526 | 2,727,997 | - | - | 2,981,526 | 2,727,997 |
| Total Revenues | 3,766,781 | 2,924,228 | 344,357 | 336,293 | 4,111,138 | 3,260,521 |
| Program Expenses | | | | | | |
| General Government | 1,333,382 | 1,111,790 | - | - | 1,333,382 | 1,111,790 |
| Public Safety | 1,240,314 | 1,230,400 | - | - | 1,240,314 | 1,230,400 |
| Public Works | 964,941 | 366,601 | - | - | 964,941 | 366,601 |
| Leisure Time Activities | 46,729 | 56,651 | - | - | 46,729 | 56,651 |
| Community Development | 6,985 | 17,115 | - | - | 6,985 | 17,115 |
| Interest and Fiscal Charges | 132,541 | 133,471 | - | - | 132,541 | 133,471 |
| Waste Collection and Disposal | - | - | 336,935 | 328,868 | 336,935 | 328,868 |
| Total Expenses | 3,724,892 | 2,916,028 | 336,935 | 328,868 | 4,061,827 | 3,244,896 |
| Increase in Net Assets | 41,889 | 8,200 | 7,422 | 7,425 | 49,311 | 15,625 |
| Net Assets Beginning of Year | 3,216,420 | 3,208,220 | (52,566) | (59,991) | 3,163,854 | 3,148,229 |
| Net Assets End of Year | \$ 3,258,309 | \$ 3,216,420 | \$ (45,144) | \$ (52,566) | \$ 3,213,165 | \$ 3,163,854 |

When looking at the sources of income to support operations, it should be noted that charges for services are only 5% of revenue, while 61% of revenue is derived from income, property and other taxes. The City substantially relies on these taxes to fund the services it provides to businesses and citizens.

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2010

Net program cost for 2010 and 2009 by percentage of total net program expenses, as presented on the statement of activities, were as follows:



Business-Type Activities

The City's business-type activity includes waste collection and disposal. This program had operating revenues of \$344,357 and operating expenses of \$336,935 for 2010. Business activities receive no support from tax revenues. The business activities net assets at the end of the year were (\$45,144), which increased \$7,422 from 2009. The City had one business-type (enterprise) fund that was a major fund: the Waste Collection and Disposal fund.

THE CITY'S FUNDS

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

All governmental funds had operating revenues of \$3,745,243 and expenditures of \$3,825,286.

The fund balance decreased \$78,443 primarily as a result of funds being used for major infrastructure-related capital improvements.

The City has two major governmental funds. Assets of the major funds comprise 89% of governmental fund total assets.

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2010

Budgetary Activity and Actual Results

The City adopts annual appropriated budgets for its funds. The schedules comparing the City's original and final budgets and actual results are included in the Required Supplementary Information for the General Fund and Street Maintenance Fund.

During 2010, there were no major revisions to the General fund budget. Actual revenues were 4% over the final budget and actual expenditures plus encumbrances were 12% under final budget amounts. The main revenue variances were property and other taxes. The main expenditures variances were general government and transportation and street repair expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

TABLE 3 - Net Capital Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|-------------------------|--------------|--------------------------|-----------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | \$ 286,445 | \$ 286,445 | \$ - | \$ - | \$ 286,445 | \$ 286,445 |
| Buildings and Improvements | 2,189,964 | 2,256,166 | - | - | 2,189,964 | 2,256,166 |
| Equipment | 287,024 | 309,003 | 9,867 | 15,178 | 296,891 | 324,181 |
| Infrastructure | 966,565 | 837,861 | - | - | 966,565 | 837,861 |
| Construction in process | - | 81,222 | - | - | - | 81,222 |
| Total Net Capital Assets | \$ 3,729,998 | \$ 3,770,697 | \$ 9,867 | \$ 15,178 | \$ 3,739,865 | \$ 3,785,875 |

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

City of Deer Park
Hamilton County, Ohio
Management's Discussion and Analysis
(Unaudited)
For the Year Ended December 31, 2010

Debt

At December 31, 2010, City of Deer Park had \$2,350,000 in un-voted general obligation bonds.

Table 4 - Outstanding Debt at Year End

| | 2010 | 2009 |
|----------------------------|--------------|--------------|
| Governmental Activities | | |
| Current Interest Bonds | | |
| Municipal Building | \$ 2,320,000 | \$ 2,420,000 |
| Capital Appreciation Bonds | | |
| Municipal Building | 30,000 | 30,000 |
| Total Debt | \$ 2,350,000 | \$ 2,450,000 |

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

FINANCIAL POSITION

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

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

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

City of Deer Park
Hamilton County, Ohio
Statement of Net Assets
December 31, 2010

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Equity in Pooled Cash, Cash Equivalents, and Investments | \$ 1,674,563 | \$ 58,205 | \$ 1,732,768 |
| Receivables (net of allowance for doubtful accounts) | | | |
| Taxes-Real & Personal Property | 969,144 | - | 969,144 |
| Special Assessments | 2,346 | - | 2,346 |
| Taxes-Income | 461,884 | - | 461,884 |
| Accounts | 10,887 | 23,751 | 34,638 |
| Intergovernmental | 480,608 | - | 480,608 |
| Internal Balances | 110,327 | (110,327) | - |
| Nondepreciable Capital Assets | 286,445 | - | 286,445 |
| Depreciable Capital Assets, Net | <u>3,443,553</u> | <u>9,867</u> | <u>3,453,420</u> |
| Total Assets | <u>7,439,757</u> | <u>(18,504)</u> | <u>7,421,253</u> |
| Liabilities | | | |
| Accounts Payable | 102,666 | 25,514 | 128,180 |
| Accrued Wages and Benefits | 138,030 | 1,126 | 139,156 |
| Accrued Interest Payable | 28,771 | - | 28,771 |
| Other Accrued Liabilities | 131,701 | - | 131,701 |
| Unearned Revenue | 942,183 | - | 942,183 |
| Long Term Liabilities due within 1 year | 224,313 | - | 224,313 |
| Long Term Liabilities due over 1 year | <u>2,613,784</u> | <u>-</u> | <u>2,613,784</u> |
| Total Liabilities | <u>4,181,448</u> | <u>26,640</u> | <u>4,208,088</u> |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 1,039,136 | 9,867 | 1,049,003 |
| Restricted for | | | |
| Public Safety | 27,303 | - | 27,303 |
| Roads | 391,332 | - | 391,332 |
| Culture and Recreation | 104,346 | - | 104,346 |
| Unrestricted | <u>1,696,192</u> | <u>(55,011)</u> | <u>1,641,181</u> |
| Total Net Assets | <u>\$ 3,258,309</u> | <u>\$ (45,144)</u> | <u>\$ 3,213,165</u> |

City of Deer Park
Hamilton County, Ohio
Statement of Activities
For the Year Ended December 31, 2010

| Function/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|---------------------|-----------------------------------|--|--|--|-----------------------------|------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Reporting Entity Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ 1,333,382 | \$ 107,980 | \$ - | \$ - | \$ (1,225,402) | \$ - | \$ (1,225,402) |
| Public Safety | 1,240,314 | 62,185 | 3,218 | - | (1,174,911) | - | (1,174,911) |
| Leisure Time Activities | 46,729 | - | 47,182 | - | 453 | - | 453 |
| Community Development | 6,985 | - | - | - | (6,985) | - | (6,985) |
| Public Works | 964,941 | 2,529 | 562,161 | - | (400,251) | - | (400,251) |
| Interest and Fiscal Charges | 132,541 | - | - | - | (132,541) | - | (132,541) |
| Total Governmental Activities | 3,724,892 | 172,694 | 612,561 | - | (2,939,637) | - | (2,939,637) |
| Business Type Activities: | | | | | | | |
| Waste Collection and Disposal | 336,935 | 344,357 | - | - | - | 7,422 | 7,422 |
| Totals | \$ 4,061,827 | \$ 517,051 | \$ 612,561 | \$ - | \$ (2,939,637) | \$ 7,422 | \$ (2,932,215) |

| | | | |
|-------------------------------|------------------|-------------|------------------|
| General Revenues | | | |
| Income Taxes | \$ 1,148,011 | \$ - | \$ 1,148,011 |
| Property Taxes Levied for: | | | |
| General Purposes | 1,123,455 | - | 1,123,455 |
| Public Safety | 28,384 | - | 28,384 |
| Unrestricted Contributions | 675,276 | - | 675,276 |
| Investment Earnings | 6,400 | - | 6,400 |
| Total General Revenues | 2,981,526 | - | 2,981,526 |
| Change in Net Assets | 41,889 | 7,422 | 49,311 |
| Net Assets Beginning of Year | 3,216,420 | (52,566) | 3,163,854 |
| Net Assets End of Year | \$ 3,258,309 | \$ (45,144) | \$ 3,213,165 |

City of Deer Park
Hamilton County, Ohio
Balance Sheet
Governmental Funds
December 31, 2010

| | General Fund | Street Maintenance Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash, Cash Equivalents, and Investments | \$ 1,205,185 | \$ 97,332 | \$ 372,046 | \$ 1,674,563 |
| Receivables: | | | | |
| Taxes - Property | 945,556 | - | 23,588 | 969,144 |
| Taxes - Income | 461,884 | - | - | 461,884 |
| Special Assessments | 2,346 | - | - | 2,346 |
| Accounts | 8,518 | - | 2,369 | 10,887 |
| Intergovernmental | 350,508 | 109,840 | 20,260 | 480,608 |
| Due from other fund | 110,327 | - | - | 110,327 |
| Total Assets | \$ 3,084,324 | \$ 207,172 | \$ 418,263 | \$ 3,709,759 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 32,451 | \$ 62,496 | \$ 7,719 | \$ 102,666 |
| Accrued Wages and Benefits | 128,747 | 8,628 | 655 | 138,030 |
| Other Accrued Liabilities | 131,701 | - | - | 131,701 |
| Deferred Revenue | 1,434,610 | 91,072 | 43,121 | 1,568,803 |
| Total Liabilities | 1,727,509 | 162,196 | 51,495 | 1,941,200 |
| Fund Balances | | | | |
| Undesignated, Reported in: | | | | |
| General Fund | 1,356,815 | - | - | 1,356,815 |
| Special Revenue Funds | - | 44,976 | 366,768 | 411,744 |
| Total Fund Balances | 1,356,815 | 44,976 | 366,768 | 1,768,559 |
| Total Liabilities and Fund Balances | \$ 3,084,324 | \$ 207,172 | \$ 418,263 | \$ 3,709,759 |

City of Deer Park
Hamilton County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2010

| | | | |
|---|------------------|----|-------------------------|
| Total Governmental Fund Balances | | \$ | 1,768,559 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p> | | | |
| Land | 286,445 | | |
| Other capital assets | 4,368,350 | | |
| Accumulated depreciation | <u>(924,797)</u> | | |
| | | | 3,729,998 |
| <p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p> | | | |
| Income Taxes | 314,589 | | |
| Delinquent Property Taxes | 26,961 | | |
| Intergovernmental and Other Revenues | <u>285,070</u> | | |
| | | | 626,620 |
| <p>In the statement of net assets interest payable is accrued when incurred whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.</p> | | | |
| Accrued Interest Payable | (28,771) | | |
| Accreted Interest | <u>(71,520)</u> | | |
| | | | (100,291) |
| <p>Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in the governmental funds.</p> | | | |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p> | | | |
| Due to Other Governments | (99,839) | | |
| Capital Lease Liabilities | (36,996) | | |
| Long-Term Note Payable | (132,507) | | |
| Bonds | (2,350,000) | | |
| Compensated absences | <u>(147,235)</u> | | |
| | | | <u>(2,766,577)</u> |
| Net Assets of Governmental Activities | | \$ | <u><u>3,258,309</u></u> |

City of Deer Park
Hamilton County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

| | General Fund | Street Maintenance Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 2,229,088 | \$ - | \$ 27,752 | \$ 2,256,840 |
| Charges for Services | 76,285 | - | 2,310 | 78,595 |
| Contributions and Donations | - | - | 13,554 | 13,554 |
| Fines, Licenses & Permits | 87,944 | - | 5,355 | 93,299 |
| Investment Earnings | 5,691 | - | 709 | 6,400 |
| Intergovernmental | 435,963 | 782,894 | 40,052 | 1,258,909 |
| Other Revenues | 800 | - | 36,846 | 37,646 |
| Total Revenues | 2,835,771 | 782,894 | 126,578 | 3,745,243 |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 1,245,073 | - | - | 1,245,073 |
| Public Safety | 1,197,687 | - | 3,063 | 1,200,750 |
| Leisure Time Activities | 33,047 | - | 12,910 | 45,957 |
| Community Development | 928 | - | 6,057 | 6,985 |
| Transportation and Street Repair | 37,130 | 903,454 | - | 940,584 |
| Capital Outlay | 10,095 | 16,618 | 119,273 | 145,986 |
| Debt Service | | | | |
| Principal Retirement | 24,612 | - | 100,000 | 124,612 |
| Interest and Fiscal Charges | 2,151 | - | 113,188 | 115,339 |
| Total Expenditures | 2,550,723 | 920,072 | 354,491 | 3,825,286 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 285,048 | (137,178) | (227,913) | (80,043) |
| Other Financing Sources (Uses) | | | | |
| Proceeds From Sale of Assets | - | - | 1,600 | 1,600 |
| Transfers In | - | - | 213,188 | 213,188 |
| Transfers Out | (213,188) | - | - | (213,188) |
| Total Other Financing Sources (Uses) | (213,188) | - | 214,788 | 1,600 |
| Net Change in Fund Balances | 71,860 | (137,178) | (13,125) | (78,443) |
| Fund Balances at Beginning of Year | 1,284,955 | 182,154 | 379,893 | 1,847,002 |
| Fund Balances at End of Year | \$ 1,356,815 | \$ 44,976 | \$ 366,768 | \$ 1,768,559 |

City of Deer Park
Hamilton County, Ohio
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2010

| | | |
|--|-----------------|----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (78,443) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported as expenditures in the governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. | | |
| | | (40,699) |
| Because some revenues will not be collected for several months after the City's year-end, they are not considered "available" revenues and are reported as deferred revenue in the governmental funds. | | |
| Income Taxes | 16,049 | |
| Delinquent Property Taxes | 26,961 | |
| Intergovernmental and Other Revenues | <u>(22,075)</u> | |
| | | 20,935 |
| Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | |
| Payments on Obligation to Other Governments | 7,679 | |
| Principal Payments on Capital Lease Obligation | 17,450 | |
| Payments on OPWC Note Payable | 7,162 | |
| Bond Principal Retirement | <u>100,000</u> | |
| | | 132,291 |
| In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. | | |
| | | (17,202) |
| Compensated Absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | <u>25,007</u> |
| Change in Net Assets of Governmental Activities | \$ | <u><u>41,889</u></u> |

City of Deer Park
Hamilton County, Ohio
Statement of Net Assets - Proprietary Fund
December 31, 2010

| | Waste Collection and Disposal |
|---|----------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$ 58,205 |
| Receivables: | |
| Accounts | 23,751 |
| Total Current Assets | 81,956 |
| Depreciable Capital Assets, Net | 9,867 |
| Total Assets | 91,823 |
| Liabilities | |
| Accounts Payable | 25,514 |
| Accrued Wages and Benefits | 1,126 |
| Due to Other Fund | 110,327 |
| Total Liabilities | 136,967 |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 9,867 |
| Unrestricted | (55,011) |
| Total Net Assets | \$ (45,144) |

City of Deer Park
Hamilton County, Ohio
Statement of Revenues,
Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended December 31, 2010

| | Waste Collection and Disposal |
|------------------------------|----------------------------------|
| Operating Revenues | |
| Charges for Services | \$ 344,357 |
| Total Operating Revenues | 344,357 |
| Operating Expenses | |
| Contractual Services | 331,624 |
| Depreciation | 5,311 |
| Total Operating Expenses | 336,935 |
| Change in Net Assets | 7,422 |
| Net Assets Beginning of Year | (52,566) |
| Net Assets End of Year | \$ (45,144) |

City of Deer Park
Hamilton County, Ohio
Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2010

| | Waste Collection and Disposal |
|---|----------------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers and Users | \$ 343,775 |
| Payments to Employees | (24,743) |
| Payments to Suppliers | (281,219) |
| Other Payments | - |
| Net Cash Provided by Operating Activities | 37,813 |
| Cash and Cash Equivalents Beginning of Year | 20,392 |
| Cash and Cash Equivalents End of Year | \$ 58,205 |
| Reconciliation of Operating Income to Net Cash | |
| Used by Operating Activities | |
| Operating Income | \$ 7,422 |
| Adjustments to Reconcile Operating Income to Net Cash | |
| Used by Operating Activities: | |
| Depreciation Expense | 5,311 |
| Increase in Accounts Receivable | (582) |
| Increase in Accounts Payable | 25,514 |
| Increase in Accrued Liabilities | 148 |
| Net Cash Provided by Operating Activities | \$ 37,813 |

City of Deer Park
Hamilton County, Ohio
Statement of Fiduciary Net Assets - Fiduciary Fund
December 31, 2010

| | <u>Agency</u> |
|--|----------------------------------|
| Assets | |
| Equity Pooled in Cash and Cash Equivalents | <u>\$ 10,973</u> |
| Total Assets | <u><u>\$ 10,973</u></u> |
| | |
| Liabilities | |
| Due to Other Governments | <u>\$ 10,973</u> |
| Total Liabilities | <u><u>\$ 10,973</u></u> |

Note 1 - Description of the City and Reporting Entity

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

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Street Maintenance Fund

To account for receipts and disbursements related to the maintenance of City roads.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have an Internal service fund.

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

Waste Collection and Disposal Fund

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, and fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in

which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Equity in Pooled Cash, Cash Equivalents and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the statement of net assets and the governmental fund balance sheet.

Interest is distributed according to Ohio statutes. Interest revenue credited to the general fund during 2010 amounted to \$5,691.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

G. Capital Assets

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

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

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

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

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

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

H. Compensated Absences

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

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

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

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

I. Long-Term Obligations

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

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

J. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure.

K. Net Assets

Net assets represent the difference between assets and liabilities. Investment in capital assets, net of debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. Interfund Activity

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

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

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

M. Estimates

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

Note 3 - Deposits and Investments

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

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

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

- United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

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

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

The carrying amount of the City's cash and investments totaled \$1,743,741 at December 31, 2010 as summarized below:

| | |
|--------------------------------------|---------------------|
| Deposits With Financial Institutions | \$ 1,579,604 |
| STAROhio | <u>164,137</u> |
| Total Cash and Investments | <u>\$ 1,743,741</u> |

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,246,269 of the City's bank balance of \$1,597,703 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

As of December 31, 2010, the City had \$164,137 invested in STAROhio. STAROhio investments mature in 12 months or less.

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

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

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

Note 4 - Receivables

Receivables at December 31, 2010, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, accounts receivable and an interfund receivable.

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes.

Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35% of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

The assessed values of real and personal property upon which 2010 property tax receipts were based are as follows:

| | |
|--|-----------------------------|
| Real Property – Residential & Agricultural | \$90,613,200 |
| Real Property – Commercial, Industrial & Other | 16,587,130 |
| Public Utility (Personal Property) | <u>4,755,100</u> |
| Total Valuation | <u><u>\$111,955,430</u></u> |

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, they were not levied to finance 2010 operations. The receivable is therefore offset by deferred revenue in the governmental fund financial statements presented on a modified accrual basis.

Note 5 – Income Taxes

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

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

Note 6 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City carries commercial general liability insurance against risks and all other risks of loss, including workers' compensation and employee health and accident insurance. More information about the City's partially self-insured health program is detailed in Note 16.

Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

Note 7 - Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

| | Balance 1/1/2010 | Additions | Deductions | Balance 12/31/2010 |
|---|---------------------|-------------------|-------------------|-----------------------|
| Governmental Activities | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 286,445 | \$ - | \$ - | \$ 286,445 |
| Construction in Progress | 81,222 | - | 81,222 | - |
| | 367,667 | - | 81,222 | 286,445 |
| Capital Assets, being depreciated: | | | | |
| Buildings and Improvements | 2,684,278 | - | - | 2,684,278 |
| Machinery and Equipment | 652,766 | 53,236 | 55,696 | 650,306 |
| Infrastructure | 874,769 | 158,997 | - | 1,033,766 |
| | 4,211,813 | 212,233 | 55,696 | 4,368,350 |
| Total Assets at Historical Cost | 4,579,480 | 212,233 | 136,918 | 4,654,795 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | 428,112 | 66,202 | - | 494,314 |
| Machinery and Equipment | 343,763 | 49,537 | 30,018 | 363,282 |
| Infrastructure | 36,908 | 30,293 | - | 67,201 |
| | 808,783 | 146,032 | 30,018 | 924,797 |
| Governmental Activities Capital Assets, Net | \$ 3,770,697 | \$ 66,201 | \$ 106,900 | \$ 3,729,998 |
| Business-Type Activities | | | | |
| Capital Assets, being depreciated: | | | | |
| Machinery and Equipment | \$ 133,071 | \$ - | \$ - | \$ 133,071 |
| Total Assets at Historical Cost | 133,071 | - | - | 133,071 |
| Less Accumulated Depreciation: | | | | |
| Machinery and Equipment | 117,893 | 5,311 | - | 123,204 |
| Total Accumulated Depreciation | 117,893 | 5,311 | - | 123,204 |
| Business-Type Activities Capital Assets, Net | \$ 15,178 | \$ (5,311) | \$ - | \$ 9,867 |

Depreciation expense was charged to governmental functions as follows:

| | 2010 |
|-------------------------|-------------------|
| General Government | \$ 92,533 |
| Public Safety | 21,146 |
| Leisure Time Activities | 772 |
| Public Works | 31,581 |
| | \$ 146,032 |

Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

Note 8 - Long-Term Obligations

A schedule of changes in bonds and other long-term obligations of the City during 2010 follows:

| | Amount Outstanding 1/1/2010 | Additions | Deletions | Amount Outstanding 12/31/2010 | Amounts Due in One Year |
|--|-----------------------------------|-----------|------------|-------------------------------------|-------------------------------|
| Governmental Activities | | | | | |
| Unvoted General Obligation Bonds | | | | | |
| Current Interest Bonds | | | | | |
| Interest Varies from 3.50% | | | | | |
| Municipal Building | \$ 2,420,000 | \$ - | \$ 100,000 | \$ 2,320,000 | \$ 100,000 |
| Capital Appreciation Bonds | | | | | |
| Interest Varies from 3.50% | | | | | |
| Municipal Building | 30,000 | - | - | 30,000 | - |
| Total Long-Term Bond - Principal | 2,450,000 | - | 100,000 | 2,350,000 | 100,000 |
| Accreted Interest | 52,872 | 18,648 | - | 71,520 | - |
| Accreted Interest and Total Long-Term Bonds - Principal | 2,502,872 | 18,648 | 100,000 | 2,421,520 | 100,000 |
| Other Long-Term Obligations | | | | | |
| Due to Other Governments | 107,518 | - | 7,679 | 99,839 | 7,679 |
| OPWC Note Payable | 139,669 | - | 7,162 | 132,507 | 7,162 |
| Capital Lease Obligation | 54,446 | - | 17,450 | 36,996 | 18,140 |
| Compensated Absences | 172,242 | 65,498 | 90,505 | 147,235 | 91,332 |
| Total Other Long-Term Obligations | 473,875 | 65,498 | 122,796 | 416,577 | 124,313 |
| Total Governmental Activities | \$ 2,976,747 | \$ 84,146 | \$ 222,796 | \$ 2,838,097 | \$ 224,313 |

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

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

The City leases certain machinery and equipment under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the statement of net assets as depreciable capital assets and was \$80,735 at December 31, 2010. Accumulated amortization of the leased equipment at December 31, 2010 was \$20,184. Amortization of assets under capital leases is included in the statement of activities as an expense in the function/program to which the asset relates.

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

Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

Principal and interest requirements to retire the long-term debt obligations at December 31, 2010, are as follows:

| Year Ending December 31 | Bonds | | Capital Appreciation Bonds | |
|----------------------------|--------------|--------------|----------------------------|------------|
| | Principal | Interest | Principal | Interest |
| 2011 | \$ 100,000 | \$ 109,063 | \$ - | \$ - |
| 2012 | 100,000 | 104,750 | - | - |
| 2013 | - | 102,563 | 16,902 | 88,098 |
| 2014 | - | 102,563 | 13,098 | 86,902 |
| 2015 | 100,000 | 100,313 | - | - |
| 2016-2020 | 575,000 | 427,269 | - | - |
| 2021-2025 | 725,000 | 273,438 | - | - |
| 2026-2029 | 720,000 | 74,500 | - | - |
| Total | \$ 2,320,000 | \$ 1,294,459 | \$ 30,000 | \$ 175,000 |

Principal and interest requirements to retire the note payable at December 31, 2010, are as follows:

| Year Ending December 31 | Principal | Interest |
|----------------------------|------------|----------|
| 2011 | \$ 7,162 | \$ - |
| 2012 | 7,162 | - |
| 2013 | 7,162 | - |
| 2014 | 7,162 | - |
| 2015 | 7,162 | - |
| 2016-2020 | 35,810 | - |
| 2021-2025 | 35,810 | - |
| 2026-2029 | 25,077 | - |
| Total | \$ 132,507 | \$ - |

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2010, are as follows:

| Year Ending December 31 | Minimum Lease Payments | Interest |
|----------------------------|---------------------------|----------|
| 2011 | \$ 18,140 | \$ 1,461 |
| 2012 | 18,856 | 745 |
| Total | \$ 36,996 | \$ 2,206 |

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year.) Under the member directed plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus investment earnings. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report, that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 222-5601 or (800)-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

The 2010 member contribution rates were 10% for members in state and local classifications. Public safety members contributed 10.5%.

The 2010 employer contribution rate for state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2010 was 17.87%. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The City's required contributions to OPERS for the years ended December 31, 2010, 2009, and 2008 were \$108,010, \$107,306, and \$120,684, respectively, equal to the required contributions for each year. The full amount has been contributed for 2008, 2009 and 2010.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code.

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% for police officers and firefighters, respectively. The City's required contributions to OP&F for the years ending December 31, 2010, 2009, and 2008 were \$141,498, \$130,676, and \$129,484, respectively. The full amount has been contributed for 2008, 2009 and 2010.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System has provided the following information pertaining to other postemployment benefits for health care costs in order to assist the City in complying with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits*.

A. Plan Description

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report, that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 222-5601 or (800)-222-7377.

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.63%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. City Contributions

The City's actual contributions that were used to fund post employment benefits were \$45,562, \$55,228 and \$60,342 for 2010, 2009 and 2008, respectively.

D. OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund has provided the following information pertaining to other postemployment benefits for health care costs in order to assist the City in complying with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits*.

A. Plan Description

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent

Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

B. Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan. OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

C. City Contributions

The City's actual contributions that were used to pay postemployment benefits were \$48,958, \$45,193 and \$44,801 for 2010, 2009 and 2008, respectively.

Note 11 – Interfund Activity

Advances From/Advances To balances at December 31, 2010, consist of the following individual fund receivables and payables:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-------------------------------|-----------|
| General Fund | Waste Collection and Disposal | \$110,327 |

Advances From/Advances To other funds were the result of cash flow issues in Waste Collection and Disposal Fund.

Note 12 – Joint Venture

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

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

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

Note 13 – Contingent Liabilities

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

Note 14 - Adoption of New Accounting Pronouncements

In 2010 the City implemented GASB Statement No. 51 - *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53 - *Accounting and Reporting for Derivative Instruments*. The implementation of these pronouncements did not have a material effect on the financial statements.

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

The City has contracted with the Ohio Mid-Eastern Regional Service Agency (OME-RESA) to participate in its health benefits program consortium. OME-RESA assists the City in administering a partially self-insured health benefits program. This health benefits program enables the City to provide individually designed benefit programs to its employees while being able to enjoy the cost-saving advantages of group purchasing through a large consortium (with other members throughout the State of Ohio). A unique "reserve pool" feature allows similar entities to share the risk of fluctuations in claims costs inherent in the self-insurance plans, and allows funding levels to be fixed once a year for easier budgeting and cash flow planning. At December 31, 2010, incurred but not reported claims related to the City for the new health benefit program were \$131,701 and have been recorded as other accrued liabilities in the financial statements.

Note 16 - Compliance and Accountability

Accountability

At year-end, the City had a deficit balance in the Waste Collection and Disposal Fund. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Compliance

Ohio Revised Code § 5705.41 (D) states that no expenditure is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The City's practice is to encumber and certify very few expenditures; therefore ninety seven percent of expenditures tested were not properly certified prior to incurring the obligation.

Ohio Revised Code § 5705.38 (C) requires appropriations for municipalities to be classified so as to set forth separately amounts appropriated for each office, department and division and within each the amount appropriated for personal services. The City currently budgets at the fund level, which is not in compliance with the above requirements.

REQUIRED SUPPLEMENTARY INFORMATION



City of Deer Park
Hamilton County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2010

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|---|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property and Other Taxes | \$ 2,177,000 | \$ 2,177,000 | \$ 2,217,291 | \$ 40,291 |
| Charges for Services | 76,500 | 76,500 | 76,285 | (215) |
| Fees, Licenses, and Permits | 30,300 | 30,300 | 33,424 | 3,124 |
| Fines and Forfeitures | 45,000 | 45,000 | 46,002 | 1,002 |
| Intergovernmental | 207,500 | 207,500 | 275,087 | 67,587 |
| Interest | 6,000 | 6,000 | 5,691 | (309) |
| Miscellaneous | 1,000 | 1,000 | 800 | (200) |
| Total Revenues | <u>2,543,300</u> | <u>2,543,300</u> | <u>2,654,580</u> | <u>111,280</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 1,098,702 | 1,174,402 | 1,102,375 | 72,027 |
| Public Safety | 1,192,100 | 1,213,550 | 1,187,613 | 25,937 |
| Leisure Time Activities | 37,400 | 38,900 | 33,129 | 5,771 |
| Transportation and Street Repair | 360,352 | 261,152 | 36,027 | 225,125 |
| Capital Outlay | 13,002 | 13,552 | 10,095 | 3,457 |
| Debt Service: | | | | |
| Principal Retirement and Interest | 26,763 | 26,763 | 26,763 | - |
| Total Expenditures | <u>2,728,319</u> | <u>2,728,319</u> | <u>2,396,002</u> | <u>332,317</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(185,019)</u> | <u>(185,019)</u> | <u>258,578</u> | <u>443,597</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | <u>(213,188)</u> | <u>(213,188)</u> | <u>(213,188)</u> | <u>-</u> |
| Total Other Financing Uses | <u>(213,188)</u> | <u>(213,188)</u> | <u>(213,188)</u> | <u>-</u> |
| Net Change in Fund Balance | (398,207) | (398,207) | 45,390 | 443,597 |
| Fund Balance at Beginning of Year | <u>1,159,795</u> | <u>1,159,795</u> | <u>1,159,795</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 761,588</u> | <u>\$ 761,588</u> | <u>\$ 1,205,185</u> | <u>\$ 443,597</u> |

City of Deer Park
Hamilton County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Maintenance Fund
For the Year Ended December 31, 2010

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------|------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 216,000 | \$ 216,000 | \$ 223,824 | \$ 7,824 |
| Total Revenues | 216,000 | 216,000 | 223,824 | 7,824 |
| Expenditures | | | | |
| Current: | | | | |
| Transportation and Street Repair | 355,200 | 363,500 | 280,482 | 83,018 |
| Capital Outlay | 25,000 | 16,700 | 16,618 | 82 |
| Total Expenditures | 380,200 | 380,200 | 297,100 | 83,100 |
| Net Change in Fund Balance | (164,200) | (164,200) | (73,276) | 90,924 |
| Fund Balance at Beginning of Year | 170,608 | 170,608 | 170,608 | - |
| Fund Balance at End of Year | \$ 6,408 | \$ 6,408 | \$ 97,332 | \$ 90,924 |

City of Deer Park
Hamilton County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2010

Note 1 - Summary of Significant Accounting Policies

A. Budgets

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

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

Estimated Resources The County Budget Commission determines if the tax budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources that states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources can be further amended during the year if the Council agrees that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2009.

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

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

Encumbrances As part of formal budgetary control purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent year expenditures of governmental funds.

Budgetary Basis of Accounting While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary

City of Deer Park
Hamilton County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2010

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

| | General Fund | Street Maintenance Fund | |
|----------------------|-----------------|----------------------------|--|
| GAAP Basis | \$ 34,811 | \$ (137,178) | |
| Adjustments: | | | |
| Revenue Accruals | (12,441) | 3,091 | |
| Expenditure Accruals | 23,020 | 60,811 | |
| Budget Basis | \$ 45,390 | \$ (73,276) | |

CITY OF DEER PARK

Yellow Book Report

December 31, 2010

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deer Park (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as Finding 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Finding 2010-2.

We noted certain matters that we reported to management of the City in a separate letter dated June 8, 2011.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
June 8, 2011

**CITY OF DEER PARK
SCHEDULE OF FINDINGS
Year Ended December 31, 2010**

2010–1 Finding Type —Material Weakness—Controls Related to Financial Reporting

During the course of our audit, we identified a material misstatement requiring an audit adjustment in the financial statements that was not identified by the City's internal control. Throughout the year, the City maintains its books and records on a cash basis of accounting and converts its financial statements at year end to generally accepted accounting principles. The audit adjustment was necessary to correct an error in the City's conversion process. A description of the adjustment follows.

Claims liability and disclosures omitted: An audit adjustment was necessary to correct unrecorded incurred but not reported claims related to the City's new health benefit program. The related disclosures were also omitted.

Unrecorded grant revenue and expenditures: Audit adjustments were necessary due to grant revenues and expenditures related to a non-capital street repairs project which were omitted from the City's financial statements.

Recommendation:

Implementation of review procedures related to financial reporting will help ensure all accounts and disclosures are accurately and properly reported in the financial statements.

Management Response:

The City concurs.

2010–2 Finding Type —Material Noncompliance at the Financial Statement Level—Ohio Revised Code § 5705.41(D) Failure to Properly Encumber

Ohio Revised Code § 5705.41D states that no expenditure is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. During the year ninety seven percent of expenditures tested were not properly certified prior to incurring the obligation. Failure to properly certify funds could result in overspending funds.

Recommendation:

For virtually all purchases the City's disbursement system does not include procedures for certifying and encumbering disbursements prior to making the commitment to expend funds. Properly certifying and encumbering disbursements results in not only compliance with the Ohio Revised Code, but yields significant improvement in controlling spending as well.

Management Response:

City officials are aware of this issue.

Summary of Prior Audit Findings

2009-1 Finding Type —Ohio Revised Code § 733.40 Lack of Timely Court Distributions

Status —corrected

2009-2 Finding Type —Ohio Revised Code § 5705.41(D) Failure to Properly Encumber

Status —not corrected; reissued as Finding 2010-2

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Dave Yost • Auditor of State

CITY OF DEER PARK

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 12, 2011**