



**Auditor of State  
Betty Montgomery**



VILLAGE OF TERRACE PARK  
HAMILTON COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Terrace Park, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

December 29, 2004

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Local Taxes	\$693,542	\$0	\$0	\$693,542
State Shared Taxes and Permits	173,611	71,724	0	245,335
Special Assessments	0	37,369	0	37,369
Intergovernmental Revenues	123,331	0	0	123,331
Charges for Services	976	0	0	976
Fines, Licenses, and Permits	83,739	3,438	0	87,177
Miscellaneous	68,291	441	0	68,732
Nonrevenue Transfers and Reimbursements	20,134	541	0	20,675
	<u>1,163,624</u>	<u>113,513</u>	<u>0</u>	<u>1,277,137</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	849,408	650	0	850,058
Public Health Service	4,699	0	0	4,699
Leisure Time Activities	3,468	46,020	0	49,488
Community Environment	57,267	0	0	57,267
Basic Utility Services	89,723	0	0	89,723
Transportation	163,937	57,982	0	221,919
General Government	286,115	2,066	0	288,181
	<u>1,454,617</u>	<u>106,718</u>	<u>0</u>	<u>1,561,335</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(290,993)</u>	<u>6,795</u>	<u>0</u>	<u>(284,198)</u>
Fund Cash Balances, January 1	<u>1,065,343</u>	<u>116,474</u>	<u>16,740</u>	<u>1,198,557</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$774,350</u></b>	<b><u>\$123,269</u></b>	<b><u>\$16,740</u></b>	<b><u>\$914,359</u></b>
Reserves for Encumbrances, December 31	<u>\$49,625</u>	<u>\$8,021</u>	<u>\$0</u>	<u>\$57,646</u>

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

VILLAGE OF TERRACE PARK  
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>\$55,019</u>
Total Non-Operating Cash Receipts	<u>55,019</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>55,004</u>
Total Non-Operating Cash Disbursements	<u>55,004</u>
Net Receipts Over/(Under) Disbursements	15
Fund Cash Balances, January 1	<u>0</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$15</u></u></b>

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



**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Local Taxes	\$660,395	\$0	\$0	\$660,395
State Shared Taxes and Permits	347,683	65,138	0	412,821
Special Assessments	0	32,367	0	32,367
Intergovernmental Revenues	100,176	74,223	0	174,399
Charges for Services	1,530	0	0	1,530
Fines, Licenses, and Permits	87,381	6,040	0	93,421
Miscellaneous	33,264	955	0	34,219
Nonrevenue Transfers and Reimbursements	109,048	1,679	0	110,727
<b>Total Cash Receipts</b>	<u>1,339,477</u>	<u>180,402</u>	<u>0</u>	<u>1,519,879</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	671,301	500	0	671,801
Public Health Service	4,548	0	0	4,548
Leisure Time Activities	790	34,239	0	35,029
Community Environment	51,494	0	0	51,494
Basic Utility Services	80,352	0	0	80,352
Transportation	162,457	171,252	0	333,709
General Government	257,346	1,837	0	259,183
Debt Service:				
Principal Payments	7,000	0	0	7,000
<b>Total Cash Disbursements</b>	<u>1,235,288</u>	<u>207,828</u>	<u>0</u>	<u>1,443,116</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>104,189</u>	<u>(27,426)</u>	<u>0</u>	<u>76,763</u>
Fund Cash Balances, January 1	961,154	143,900	16,740	1,121,794
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,065,343</b></u>	<u><b>\$116,474</b></u>	<u><b>\$16,740</b></u>	<u><b>\$1,198,557</b></u>
Reserves for Encumbrances, December 31	<u>\$68,246</u>	<u>\$0</u>	<u>\$0</u>	<u>\$68,246</u>

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

VILLAGE OF TERRACE PARK  
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>\$76,847</u>
Total Non-Operating Cash Receipts	<u>76,847</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>78,209</u>
Total Non-Operating Cash Disbursements	<u>78,209</u>
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balances, January 1 (Restated)	<u>1,362</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$0</u></u></b>

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

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Terrace Park, Hamilton County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides road maintenance, fire, EMS, and police services. The Village contracts with the Hamilton County Sheriff's department to provide security of persons and property. The Village contracts with Miami Township to provide advanced life support services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Special Tree Program* -This fund receives special assessments to fund planting and preservation of Village trees.

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project funds:

*Issue II Elm Road* – This fund accounts for the proceeds remaining from a road improvement project.

**4. Fiduciary Fund (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following agency fund:

*Mayor's Court Fund* – This fund receives fines and costs from criminal and traffic citations heard in Mayor's Court. The Village and State distributions are made to the appropriate agency.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003	2002
Demand deposits	\$25,859	\$319,829
STAR Ohio - Investment	888,500	878,728
Total deposits and investments	\$914,359	\$1,198,557

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows (except agency fund):

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,137,571	\$1,163,624	\$26,053
Special Revenue	107,500	113,513	6,013
Total	\$1,245,071	\$1,277,137	\$32,066

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,635,282	\$1,504,242	\$131,040
Special Revenue	129,420	114,739	\$14,681
Total	\$1,764,702	\$1,618,981	\$145,721

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$969,932	\$1,339,477	\$369,545
Special Revenue	179,944	180,402	458
Total	\$1,149,876	\$1,519,879	\$370,003

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,454,732	\$1,303,534	\$151,198
Special Revenue	233,798	207,828	\$25,970
Total	\$1,688,530	\$1,511,362	\$177,168

**4. PROPERTY TAX**

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

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

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

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs.

The Plan issues its own policies and reinsures with A-VII or better rated carriers, except for a 5% portion the Plan retains. With policies effective September 1, 2003 and after, The Plan pays the lesser of 5% or \$25,000 for casualty losses up to the coverage limit and the lesser of 5% or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

	<b>2003</b>	<b>2002</b>
Assets	\$ 5,402,167	\$ 5,584,592
Liabilities	(1,871,123)	(2,441,793)
Members' Equity	\$ 3,531,044	\$ 3,142,799

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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## **Auditor of State Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Terrace Park, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated December 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 29, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated December 29, 2004.

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

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

**Betty Montgomery**  
Auditor of State

December 29, 2004



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 20, 2005**