

**CITY OF DEER PARK  
HAMILTON COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2005**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the City of Deer Park, Hamilton County, prepared by Cassidy Schiller & Associates, for the audit period January 1, 2005 through December 31, 2005. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 12, 2007

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**CITY OF DEER PARK**  
**YEAR ENDED DECEMBER 31, 2005**

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INDEPENDENT AUDITOR'S REPORT



To the City Council  
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 City of Deer Park, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Deer Park'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 *Governmental 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 the 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 of Deer Park, Ohio, as of December 31, 2005, 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 January 19, 2007 on our consideration of the City of Deer Park'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.

CERTIFIED PUBLIC ACCOUNTANTS

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Cincinnati, Ohio 45242  
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The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 40 through 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, consisting of the letters 'CSA' in a cursive, stylized font.

January 19, 2007

## **City of Deer Park**

### **Management's Discussion and Analysis For The Year Ended December 31, 2005 (Unaudited)**

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, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's performance.

#### **Financial Highlights**

- The City's total net assets increased \$157,159. Net assets of governmental activities increased \$167,992, net assets of business-type activities decreased by \$10,833.
- The General Fund reported a net change in fund balance of (\$99,817).
- Business-type operations reflected operating loss of \$10,833.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City's 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. For governmental funds, 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.

#### **Government-wide Financial Statements**

The analysis of the City as a whole begins with the Government-wide Financial Statements. These reports provide information that will help the reader to determine if the City of Deer Park is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.



These two statements report the City's net assets and changes to those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well being. Some of these factors include the City's tax base and the condition of capital assets.

In the Government-wide Financial Statements, the City is divided into two kinds of activities.

- **Governmental Activities** - Most of the City's services are reported here including police, fire, street maintenance, parks and recreation, and general administration. 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.

### **Fund Financial Statements**

Information about the City's major funds is presented in the Fund Financial Statements (see table of contents). 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 bond covenants. Other funds may be established by the City, with approval of 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 are General, Street Maintenance, and Waste Collection and Disposal Funds.

**Governmental Funds** - Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Funds** - When the City charges citizens for the services 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.

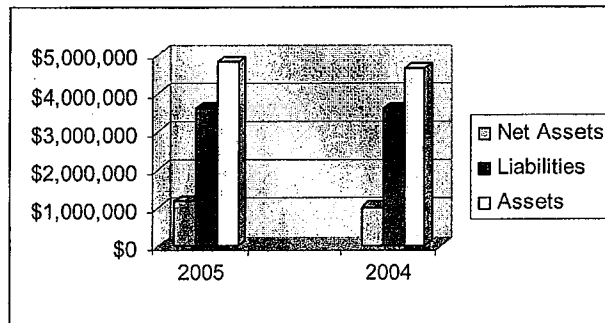
**Fiduciary Funds** - The City is the fiscal agent for one agency fund. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Statement of Changes in Assets and Liabilities. We exclude these activities from the City's other financial statements because 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.

**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 2005 compared to 2004.

**Table 1**  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current Assets	\$1,660,976	\$1,551,027	\$66,981	\$70,153	\$1,727,957	\$1,621,180
Capital Assets, Net	3,028,178	2,970,109	50,214	55,300	3,078,392	3,025,409
<b>Total Assets</b>	<b>4,689,154</b>	<b>4,521,136</b>	<b>117,195</b>	<b>125,453</b>	<b>4,806,349</b>	<b>4,646,589</b>
<b>Liabilities</b>						
Long-Term Liabilities	2,942,116	2,926,795	0	0	2,942,116	2,926,795
Other Liabilities	651,400	666,695	25,364	22,789	676,764	689,484
<b>Total Liabilities</b>	<b>3,593,516</b>	<b>3,593,490</b>	<b>25,364</b>	<b>22,789</b>	<b>3,618,880</b>	<b>3,616,279</b>
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Debt	100,652	220,109	50,214	55,300	150,866	275,409
Restricted	201,407	250,185	0	0	201,407	250,185
Unrestricted	793,579	457,352	41,617	47,364	835,196	504,716
<b>Total Net Assets</b>	<b>\$1,095,638</b>	<b>\$927,646</b>	<b>\$91,831</b>	<b>\$102,664</b>	<b>\$1,187,469</b>	<b>\$1,030,310</b>



Total net assets of the City as a whole increased \$157,159. Net assets of the City's governmental activities increased \$167,992, while the net assets of the City's business-type activities decreased \$10,833 from 2004. The City had an unrestricted net assets balance of \$793,579 for the governmental activities and \$41,617 for the business-type 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 income taxes receivable due to the City. Capital assets increased mainly due to the completion of the City's Municipal building construction project. Total liabilities remained relatively consistent in 2005 compared to 2004.

Table 2 shows the changes in net assets for 2005 compared to 2004.

**Table 2**  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Program Revenues:</b>						
Charges for Services	\$172,541	\$221,619	\$327,915	\$299,273	\$500,456	\$520,892
Operating Grants, Contributions	226,848	256,336	0	0	226,848	256,336
Capital Grants and Contributions	93,292	3,311	0	0	93,292	3,311
<b>Total Program Revenues</b>	<b>492,681</b>	<b>481,266</b>	<b>327,915</b>	<b>299,273</b>	<b>820,596</b>	<b>780,539</b>
<b>General Revenue:</b>						
Income Taxes	1,587,028	1,323,307	0	0	1,587,028	1,323,307
Property Taxes	285,567	240,188	0	0	285,567	240,188
Grants and Entitlements	220,279	168,113	0	0	220,279	168,113
Unrestricted Contributions	8,321	568	0	0	8,321	568
Investment Earnings	18,244	15,147	0	0	18,244	15,147
Other	8,315	108,220	0	0	8,315	108,220
<b>Total General Revenues</b>	<b>2,127,754</b>	<b>1,855,543</b>	<b>0</b>	<b>0</b>	<b>2,127,754</b>	<b>1,855,543</b>
<b>Total Revenues</b>	<b>2,620,435</b>	<b>2,336,809</b>	<b>327,915</b>	<b>299,273</b>	<b>2,948,350</b>	<b>2,636,082</b>
<b>Program Expenses:</b>						
General Government	878,803	760,799	0	0	878,803	760,799
Public Safety	1,091,766	1,161,251	0	0	1,091,766	1,161,251
Leisure Time Activities	56,102	107,078	0	0	56,102	107,078
Community Development	49,923	23,065	0	0	49,923	23,065
Basic Utility Service	3,878	7,382	0	0	3,878	7,382
Transportation and Street Repair	205,414	234,846	0	0	205,414	234,846
Public Health and Welfare	5,320	5,181	0	0	5,320	5,181
Interest and Fiscal Charges	161,237	38,175	0	0	161,237	38,175
Waste Collection and Disposal	0	0	338,748	301,514	338,748	301,514
<b>Total Program Expenses</b>	<b>2,452,443</b>	<b>2,337,777</b>	<b>338,748</b>	<b>301,514</b>	<b>2,791,191</b>	<b>2,639,291</b>
<b>Change in Net Assets</b>	<b>167,992</b>	<b>(968)</b>	<b>(10,833)</b>	<b>(2,241)</b>	<b>157,159</b>	<b>(3,209)</b>
<b>Beginning Net Assets</b>	<b>927,646</b>	<b>928,614</b>	<b>102,664</b>	<b>104,905</b>	<b>1,030,310</b>	<b>1,033,519</b>
<b>Ending Net Assets</b>	<b>\$1,095,638</b>	<b>\$927,646</b>	<b>\$91,831</b>	<b>\$102,664</b>	<b>\$1,187,469</b>	<b>\$1,030,310</b>

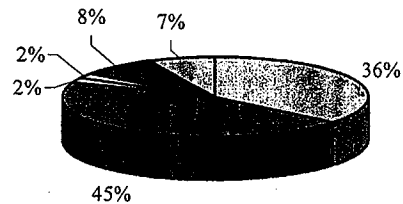
Capital Grants increased mainly due to an increase in grant monies (intergovernmental revenue) received in 2005 compared to 2004. Income tax revenue increased due to the passage of legislation that was effective January 1, 2005 which decreased reciprocity of Deer Park's earnings tax from 1.5% to .5%. Interest and fiscal charges increased due to the City making interest payments on the municipal building current interest bonds. General Government expenses increased due to general inflationary costs.

### ***Governmental Activities***

The 1.50% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent 75% of the City's governmental activities general revenues.

Governmental activities program expenses for 2005 were as follows:

<u>Program Expenses</u>	<u>Percent of Total</u>
General Government	36%
Public Safety	45%
Leisure Time Activities	2%
Community Development	2%
Transportation and Street Repair	8%
Interest and Fiscal Charges	7%
<u>Total</u>	<u>100%</u>



### ***Business-Type Activities***

The City's business-type activity includes waste collection and disposal. This program had operating revenues of \$327,915 and operating expenses of \$338,748 for fiscal year 2005. Business activities receive no support from tax revenues. The business activities net assets at the end of the year was \$91,831, which decreased \$10,833 from 2004. The City had one business-type (enterprise) fund that was a major fund: the Waste Collection and Disposal fund.

### **The City's Funds**

The City has two major governmental funds: the General Fund and Street Maintenance Fund. Assets of the general fund comprised \$1,258,543 (76%) and the street maintenance fund comprised \$210,303 (13%) of the total \$1,660,976 governmental funds assets.

**General Fund:** Fund balance at December 31, 2005 was \$122,311 a decrease in fund balance of \$99,817 from 2004. The general fund had a decrease in fund balance mainly due to the transfer of \$176,995 out of the General Fund to the Debt Service Fund.

**Street Maintenance Fund:** Fund balance at December 31, 2005 was \$103,369 an increase of \$37,252 from 2004. The increase in fund balance was mainly due to the City's increase in intergovernmental revenue.

### ***General Fund Budgeting Highlights***

The City's General Fund budget is formally adopted at the fund level. Financial reports, which compare actual performance with the budget, are prepared quarterly and presented to the Council so the Council is able to review the financial status and measure the effectiveness of the budgetary controls.

As the City completed the year, its General Fund balance reported an actual fund balance of (\$25,702), on a Non-GAAP Budgetary Basis.

Variations from the final budget amounts to the actual amounts are primarily due to the following reasons: The City underestimated the taxes revenue amount and underestimated the general government and public safety expenditures for 2005.

**Capital Assets and Debt Administration**

**Capital Assets**

**Table 3**  
Capital Assets  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$271,835	\$271,835	\$0	\$0	\$271,835	\$271,835
Construction in Progress	0	2,355,469	0	0	0	2,355,469
Buildings and Improvements	2,517,365	87,468	0	0	2,517,365	87,468
Equipment	238,978	255,337	50,214	55,300	289,192	310,637
<b>Total Net Capital Assets</b>	<b>\$3,028,178</b>	<b>\$2,970,109</b>	<b>\$50,214</b>	<b>\$55,300</b>	<b>\$3,078,392</b>	<b>\$3,025,409</b>

The increase in net capital assets was the result of the completion of the Municipal Building project for the City.

See Note 6 to the basic financial statements for further details on the City's capital assets.

**Debt**

At year-end the City had \$2,756,800 in general obligation bonds.

**Table 4**  
Outstanding Debt at Year End

	2005	2004
<b>Governmental Activities</b>		
Current Interest Bonds		
Municipal Building	\$2,720,000	\$2,720,000
Capital Appreciation Bonds		
Municipal Building	36,800	30,000
<b>Total Debt</b>	<b>\$2,756,800</b>	<b>\$2,750,000</b>

See Note 7 to the basic financial statements for further details on the City's long-term obligations.

## **Economic Factors**

The City of Deer Park is currently in a strong financial position, but it must be stated that the City is not immune to economic conditions that have negatively affected many public and private entities. In addition, management has been committed to providing its residents with full disclosure of the financial position of the City.

## **Contacting the City's Financial Department**

This financial report is designed to provide our citizens, taxpayers, customers and investors, and creditors 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 Auditor, City of Deer Park, 7777 Blue Ash Road, Deer Park, Ohio 45236.

City of Deer Park, Ohio  
Statement of Net Assets  
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$420,393	\$50,619	\$471,012
<b>Receivables:</b>			
Taxes	1,035,069	0	1,035,069
Accounts	120	16,362	16,482
Interest	0	0	0
Intergovernmental	205,394	0	205,394
Nondepreciable Capital Assets	271,835	0	271,835
Depreciable Capital Assets, Net	2,756,343	50,214	2,806,557
<b>Total Assets</b>	<b>4,689,154</b>	<b>117,195</b>	<b>4,806,349</b>
<b>Liabilities:</b>			
Accounts Payable	35,896	23,621	59,517
Accrued Wages and Benefits	168,701	1,743	170,444
Accrued Interest Payable	15,617	0	15,617
Unearned Revenue	292,953	0	292,953
Due to Other Governments	138,233	0	138,233
<b>Long-Term Liabilities:</b>			
Due Within One Year	180,166	0	180,166
Due In More Than One Year	2,761,950	0	2,761,950
<b>Total Liabilities</b>	<b>3,593,516</b>	<b>25,364</b>	<b>3,618,880</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	100,652	50,214	150,866
<b>Restricted for:</b>			
Special Revenue	201,407	0	201,407
Unrestricted	793,579	41,617	835,196
<b>Total Net Assets</b>	<b>\$1,095,638</b>	<b>\$91,831</b>	<b>\$1,187,469</b>

See accompanying notes to the basic financial statements.

City of Deer Park, Ohio  
Statement of Activities  
For the Fiscal Year Ended December 31, 2005

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$878,803	\$155,293	\$0	\$0
Public Safety	1,091,766	9,216	5,466	0
Leisure Time Activities	56,102	0	0	0
Community Development	49,923	8,032	14,724	0
Basic Utility Service	3,878	0	0	0
Transportation and Street Repair	205,414	0	206,658	93,292
Public Health and Welfare	5,320	0	0	0
Interest and Fiscal Charges	161,237	0	0	0
<b>Total Governmental Activities</b>	<b>2,452,443</b>	<b>172,541</b>	<b>226,848</b>	<b>93,292</b>
<b>Business-Type Activities:</b>				
Waste Collection and Disposal	338,748	327,915	0	0
<b>Total Business-Type Activities</b>	<b>338,748</b>	<b>327,915</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$2,791,191</b>	<b>\$500,456</b>	<b>\$226,848</b>	<b>\$93,292</b>

General Revenues:  
Income Taxes  
Property Taxes Levied for:  
  General Purposes  
  Special Revenue Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Unrestricted Contributions  
Investment Earnings  
Other Revenues

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.



Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$723,510)	\$0	(\$723,510)
(1,077,084)	0	(1,077,084)
(56,102)	0	(56,102)
(27,167)	0	(27,167)
(3,878)	0	(3,878)
94,536	0	94,536
(5,320)	0	(5,320)
(161,237)	0	(161,237)
(1,959,762)	0	(1,959,762)
0	(10,833)	(10,833)
0	(10,833)	(10,833)
(\$1,959,762)	(\$10,833)	(\$1,970,595)
1,587,028	0	1,587,028
285,276	0	285,276
291	0	291
220,279	0	220,279
8,321	0	8,321
18,244	0	18,244
8,315	0	8,315
2,127,754	0	2,127,754
167,992	(10,833)	157,159
927,646	102,664	1,030,310
\$1,095,638	\$91,831	\$1,187,469

City of Deer Park, Ohio  
 Balance Sheet  
 Governmental Funds  
 December 31, 2005

	General	Street Maintenance	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$151,294	\$104,004	\$165,095	\$420,393
<b>Receivables:</b>				
Taxes	1,009,348	0	25,721	1,035,069
Accounts	120	0	0	120
Intergovernmental	97,781	106,299	1,314	205,394
<b>Total Assets</b>	<b>1,258,543</b>	<b>210,303</b>	<b>192,130</b>	<b>1,660,976</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	29,998	5,898	0	35,896
Accrued Wages and Benefits	154,229	10,981	3,491	168,701
Deferred Revenue	952,005	90,055	27,035	1,069,095
<b>Total Liabilities</b>	<b>1,136,232</b>	<b>106,934</b>	<b>30,526</b>	<b>1,273,692</b>
<b>Fund Balances:</b>				
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	122,311	0	0	122,311
Special Revenue Funds	0	103,369	161,604	264,973
<b>Total Fund Balances</b>	<b>122,311</b>	<b>103,369</b>	<b>161,604</b>	<b>387,284</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$1,258,543</b>	<b>\$210,303</b>	<b>\$192,130</b>	<b>\$1,660,976</b>

See accompanying notes to the basic financial statements.

City of Deer Park, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 December 31, 2005

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Total Governmental Fund Balance \$387,284

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

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 3,028,178

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

Income Taxes	616,862	
Delinquent Property Taxes	18,485	
Intergovernmental	<u>140,795</u>	
		776,142

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. (15,617)

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 governmental funds.

Compensated Absences	(185,316)	
Other	<u>(138,233)</u>	
		(323,549)

Long-term liabilities, are not due and payable in the current  
 period and therefore are not reported in the funds. (2,756,800)

Net Assets of Governmental Activities \$1,095,638

See accompanying notes to the basic financial statements.

City of Deer Park, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended December 31, 2005

	General	Street Maintenance	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$1,682,973	\$0	\$24,179	\$1,707,152
Fines, Licenses & Permits	54,921	0	9,216	64,137
Investment Earnings	18,244	0	0	18,244
Intergovernmental	285,425	196,456	58,260	540,141
Special Assessments	3,237	0	0	3,237
Other Revenues	60,782	0	28,643	89,425
<b>Total Revenues</b>	<b>2,105,582</b>	<b>196,456</b>	<b>120,298</b>	<b>2,422,336</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	840,032	0	0	840,032
Public Safety	1,096,603	0	4,198	1,100,801
Leisure Time Activities	34,469	0	20,198	54,667
Community Development	20,117	0	29,806	49,923
Basic Utility Service	3,878	0	0	3,878
Transportation and Street Repair	27,985	159,204	4,704	191,893
Public Health and Welfare	5,320	0	0	5,320
Capital Outlay	0	0	186,809	186,809
<b>Debt Service:</b>				
Interest and Fiscal Charges	0	0	176,995	176,995
<b>Total Expenditures</b>	<b>2,028,404</b>	<b>159,204</b>	<b>422,710</b>	<b>2,610,318</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>77,178</b>	<b>37,252</b>	<b>(302,412)</b>	<b>(187,982)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	0	176,995	176,995
Transfers (Out)	(176,995)	0	0	(176,995)
<b>Total Other Financing Sources (Uses)</b>	<b>(176,995)</b>	<b>0</b>	<b>176,995</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(99,817)</b>	<b>37,252</b>	<b>(125,417)</b>	<b>(187,982)</b>
<b>Fund Balance Beginning of Year</b>	<b>222,128</b>	<b>66,117</b>	<b>287,021</b>	<b>575,266</b>
<b>Fund Balance End of Year</b>	<b>\$122,311</b>	<b>\$103,369</b>	<b>\$161,604</b>	<b>\$387,284</b>

See accompanying notes to the basic financial statements.

City of Deer Park, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended December 31, 2005

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Net Change in Fund Balance - Total Governmental Funds (\$187,982)

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

Governmental funds report capital asset additions as expenditures.  
 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 of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	236,145	
Depreciation Expense	<u>(107,818)</u>	128,327

Governmental funds only report the disposal of assets to the  
 extent proceeds are received from the sale. In the statement  
 of activities, a gain or loss is reported for each disposal. The  
 amount of the proceeds must be removed and the gain or loss  
 on the disposal of capital assets must be recognized. This is the  
 amount of the difference between the proceeds and the gain or loss. (70,258)

Revenues in the statement of activities that do not provide  
 current financial resources are not reported as revenues in  
 the funds.

Income Taxes	253,585	
Delinquent Property Taxes	3,039	
Intergovernmental	<u>11,733</u>	268,357

In the statement of activities interest expense is accrued when incurred,  
 whereas in governmental funds an interest expenditure is reported  
 when due. 22,558

Some expenses 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.

Compensated Absences	(11,025)	
Bond Accretion	(6,800)	
Other	<u>24,815</u>	6,990

Change in Net Assets of Governmental Activities \$167,992

See accompanying notes to the basic financial statements.

City of Deer Park, Ohio  
Statement of Net Assets  
Proprietary Fund  
December 31, 2005

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	<u>Waste Collection and Disposal</u>
Assets:	
Equity in Pooled Cash and Investments	\$50,619
Receivables:	
Accounts	<u>16,362</u>
Total Current Assets	<u>66,981</u>
Depreciable Capital Assets, Net	<u>50,214</u>
Total Assets	<u>117,195</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	23,621
Accrued Wages and Benefits	<u>1,743</u>
Total Liabilities	<u>25,364</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	50,214
Unrestricted	<u>41,617</u>
Total Net Assets	<u>\$91,831</u>

See accompanying notes to the basic financial statements.

City of Deer Park, Ohio  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended December 31, 2005

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	<u>Waste Collection and Disposal</u>
Operating Revenues:	
Charges for Services	<u>\$327,915</u>
Total Operating Revenues	<u>327,915</u>
Operating Expenses:	
Personal Services	29,714
Contactual Services	283,506
Materials and Supplies	6,424
Depreciation	<u>19,104</u>
Total Operating Expenses	<u>338,748</u>
Change in Net Assets	(10,833)
Net Assets Beginning of Year	<u>102,664</u>
Net Assets End of Year	<u>\$91,831</u>

See accompanying notes to the basic financial statements.

City of Deer Park, Ohio  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended December 31, 2005

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	Waste Collection and Disposal
Cash Flows from Operating Activities:	
Cash Received from Customers	\$329,652
Cash Payments to Employees	(27,971)
Cash Payments to Suppliers	(289,098)
Net Cash Provided (Used) by Operating Activities	<u>12,583</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	<u>(14,018)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(14,018)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,435)
Cash and Cash Equivalents Beginning of Year	<u>52,054</u>
Cash and Cash Equivalents End of Year	<u><u>50,619</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(10,833)
Adjustments:	
Depreciation	19,104
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	1,737
Increase (Decrease) in Payables	832
Increase (Decrease) in Accrued Liabilities	<u>1,743</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$12,583</u></u>

See accompanying notes to the basic financial statements.



City of Deer Park, Ohio  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
December 31, 2005

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$3,280</u>
Total Assets	<u>\$3,280</u>
Liabilities:	
Due to Other Governments	<u>3,280</u>
Total Liabilities	<u>\$3,280</u>

See accompanying notes to the basic financial statements.

## **CITY OF DEER PARK, OHIO**

Notes to the Basic Financial Statements  
For The Year Ended December 31, 2005

### **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 organizations. 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.

## **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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. For proprietary funds the City has elected not to follow subsequent private-sector guidance. The most significant of the City's accounting policies are described below.

### **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.

#### 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.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

### **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 fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental 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 of the City. 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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 business segment or 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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

## **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 charter of the City and/or the general laws of Ohio.

Street Maintenance Special Revenue Fund - This special revenue fund accounts for expenditures and other resources in the operation of the City's Street Maintenance Department.

The other governmental funds of the City account for grants and other resources that are generally restricted to use for a particular purpose.

## 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 are the City's major enterprise funds:

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. The City also has 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.

## **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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

### 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 thirty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the 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 nonexchange 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: income tax, 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.

Property taxes for which there is an enforceable legal claim as of the current year-end, but which were levied to finance future 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.

### Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

### 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.

### **Equity in Pooled Cash and Investments**

To improve cash management the City's cash and investments are pooled. Monies for all funds, except cash and investments held in segregated accounts, 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 and Investments" on the balance sheet.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

For purposes of the statement of cash flows and for presentation on the statement of net assets/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Following the Ohio Revised Code, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues during 2005 amounted to \$18,244.

### **Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective proprietary funds.

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's infrastructure consists of curbs, sidewalks, storm sewers and streets. 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. The City uses a \$1,000 capitalization threshold. The City is not required to report infrastructure before December 31, 2003, since it is considered a Phase 3 government.

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 were 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>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	15-40 years	15-40 years
Machinery and Equipment	5-20 years	5-20 years
Infrastructure	35-60 years	35-60 years

### **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 entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.



In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related 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.

### **Operating Revenues and Expenses**

The City, in its proprietary funds, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

### **Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

### **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.

### **3. EQUITY IN POOLED CASH AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the City into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies - Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

## Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2005, \$78,611 of the City's bank balance of \$233,972 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

## Investments

As of December 31, 2005, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAROhio	<u>\$292,866</u>	0.00
Total Fair Value	<u>\$292,866</u>	
Portfolio Weighted Average Maturity		0.00

Interest rate risk - In accordance with the investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years, unless matched to a specified obligation or debt of the City.

Credit Risk – It is the City's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The City's investments in STAROhio were rated AAAM by Standard & Poors and Fitch Ratings. The City's investments in Money Market Funds were rated AAA by Standard & Poors and Fitch Ratings and Aaa by Moody's Investor's Service.

Concentration of credit risk – The City's investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 1% of the City's investments in Money Market Funds and 99% in STAROhio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City's securities are either insured and registered in the name of the City or at least registered in the name of the City.

#### 4. RECEIVABLES

Receivables at year end, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, accrued interest on investments and accounts 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, public utility, and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value.

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

Real Property (other than public utility)	\$101,732,490
Public Utility real and personal tangible property	<u>4,908,960</u>
Total Valuation	<u>\$106,641,450</u>

Real property taxes are payable annually or semi-annually. The first payment is due January 20 with the remainder payable by June 20.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

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 represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of year end for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at year end, nor were they levied to finance current year operations. The receivable is therefore offset by deferred revenue.

### **Income Taxes**

The City levies a 1.5 percent 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.

In October 2004 a majority of Deer Park Council passed legislation that decreased reciprocity of Deer Park's earnings tax from 1.5 to .5 percent. This legislation became effective January 1, 2005 to December 31, 2008. For example, with an earnings tax of 1.5 percent in Deer Park, a resident working in Blue Ash, and taxed 1 percent from that city only paid one half percent to Deer Park in the past. That resident will now pay one percent to Deer Park.

## **5. RISK MANAGEMENT**

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

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

## 6. CAPITAL ASSETS

Capital asset activity for the current year end was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$271,835	\$0	\$0	\$271,835
Construction in Progress	2,355,469	209,322	2,564,791	0
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	228,901	2,564,791	105,844	2,687,848
Equipment	691,744	26,823	90,432	628,135
Totals at Historical Cost	<u>3,547,949</u>	<u>2,800,936</u>	<u>2,761,067</u>	<u>3,587,818</u>
Less Accumulated Depreciation:				
Buildings and Improvements	141,433	65,989	36,939	170,483
Equipment	436,407	41,829	89,079	389,157
Total Accumulated Depreciation	<u>\$577,840</u>	<u>\$107,818</u>	<u>\$126,018</u>	<u>\$559,640</u>
Governmental Activities Capital Assets, Net	<u><u>\$2,970,109</u></u>	<u><u>\$2,693,118</u></u>	<u><u>\$2,635,049</u></u>	<u><u>\$3,028,178</u></u>
<b>Business-Type Activities</b>				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$119,053	\$14,018	\$0	\$133,071
Totals at Historical Cost	<u>119,053</u>	<u>14,018</u>	<u>0</u>	<u>133,071</u>
Less Accumulated Depreciation:				
Equipment	63,753	19,104	0	82,857
Total Accumulated Depreciation	<u>\$63,753</u>	<u>\$19,104</u>	<u>\$0</u>	<u>\$82,857</u>
Business-Type Activities Capital Assets, Net	<u><u>\$55,300</u></u>	<u><u>(\$5,086)</u></u>	<u><u>\$0</u></u>	<u><u>\$50,214</u></u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$80,642
Public Safety	16,641
Leisure Time Activities	1,435
Transportation and Street Repair	9,100
Total Depreciation Expense	<u><u>\$107,818</u></u>

## 7. LONG-TERM DEBT

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
<u>General Obligation Bonds</u>					
Current Interest Bonds					
Interest varies from 2.75%					
Municipal Building	\$2,720,000	\$0	\$0	\$2,720,000	\$75,000
Capital Appreciation Bonds					
Interest varies from 2.75%					
Municipal Building	30,000	0	0	30,000	0
Total Long-Term Bond - Principal	2,750,000	0	0	2,750,000	75,000
Accreted Interest	0	6,800	0	6,800	0
Accreted Interest and Total Long-Term Bonds - Principal	2,750,000	6,800	0	2,756,800	75,000
Due to Other Governments	163,048	0	(24,815)	138,233	0
Compensated Absences	176,795	64,545	(56,024)	185,316	105,166
Total Governmental Activities	<u>\$3,089,843</u>	<u>\$71,345</u>	<u>(\$80,839)</u>	<u>\$3,080,349</u>	<u>\$180,166</u>

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

Principal and interest requirements to retire the City's long-term obligations outstanding at year end are as follows:

Year Ending December 31	Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2006	\$75,000	\$123,906	\$0	\$0
2007	75,000	121,751	0	0
2008	75,000	119,313	0	0
2009	75,000	116,594	0	0
2010	100,000	113,188	0	0
2011-2015	300,000	519,253	30,000	175,000
2016-2020	575,000	427,268	0	0
2021-2025	725,000	273,437	0	0
2026-2030	720,000	74,500	0	0
Total	<u>\$2,720,000</u>	<u>\$1,889,210</u>	<u>\$30,000</u>	<u>\$175,000</u>



## **8. PENSION PLANS**

### **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), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Members have a choice of three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP Plan is a cost-sharing multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustment to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City is 13.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2005, 2004 and 2003 were \$82,983, \$81,881, and \$78,684, respectively. The full amount has been contributed for 2004 and 2003 and 73 percent has been contributed for 2005.

### **Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215 - 5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police and 24.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for the years ending December 31, 2005, 2004 and 2003 were \$129,845, \$128,932, and \$120,399, respectively. The full amount has been contributed for 2004 and 2003 and 73 percent has been contributed for 2005.

## **9. POST EMPLOYMENT BENEFITS**

### **Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The current year employer contribution rate was 13.55 percent of covered payroll; 4.00 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rates plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At year end 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The City's actual contributions for the current year, which were used to fund postemployment benefits were \$24,497. The actual contribution and the actuarially required contribution amounts are the same. OPERS 's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$16.4 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

### **Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during the current year. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for the current year that were used to fund postemployment benefits were \$51,605 for police. The OP&F's total health care expenses for the year ended December 31, 2004, (the latest information available) were \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

### **10. CONTINGENCIES**

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

## 11. INTERFUND TRANSACTIONS

Interfund transactions at year end, consisted of the following individual fund receivables and payables:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$0	\$176,995
Other Governmental Funds	<u>176,995</u>	<u>0</u>
Total All Funds	<u>\$176,995</u>	<u>\$176,995</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

## 12. JOINT VENTURE

### Deer Park-Silverton Joint Fire District

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 affect operations is limited to its representation on the Board. The funding for 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 benefit or burden to the City.

## 13. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risk: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments.

City of Deer Park  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$1,637,435	\$1,637,435	\$1,651,139	\$13,704
Fines, Licenses & Permits	66,216	66,216	66,770	554
Intergovernmental	287,924	287,924	290,334	2,410
Special Assessments	3,210	3,210	3,237	27
Investment Earnings	18,127	18,127	18,279	152
Other Revenues	77,087	77,087	77,732	645
<b>Total Revenues</b>	<b>2,089,999</b>	<b>2,089,999</b>	<b>2,107,491</b>	<b>17,492</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	994,023	994,023	835,550	158,473
Public Safety	1,061,461	1,061,461	1,081,240	(19,779)
Leisure Time Activities	33,838	33,838	34,469	(631)
Community Development	26,838	26,838	27,338	(500)
Transportation & Street Repair	22,868	22,868	23,294	(426)
Public Health and Welfare	5,223	5,223	5,320	(97)
<b>Total Expenditures</b>	<b>2,144,251</b>	<b>2,144,251</b>	<b>2,007,211</b>	<b>137,040</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(54,252)</b>	<b>(54,252)</b>	<b>100,280</b>	<b>154,532</b>
<b>Other financing sources (uses):</b>				
Transfers (Out)	(173,757)	(173,757)	(176,995)	(3,238)
<b>Total Other Financing Sources (Uses)</b>	<b>(173,757)</b>	<b>(173,757)</b>	<b>(176,995)</b>	<b>(3,238)</b>
<b>Net Change in Fund Balance</b>	<b>(228,009)</b>	<b>(228,009)</b>	<b>(76,715)</b>	<b>151,294</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>164,003</b>	<b>164,003</b>	<b>164,003</b>	<b>0</b>
<b>Fund Close-Out, Plainfield/Blue Ash Improvement</b>	<b>64,006</b>	<b>64,006</b>	<b>64,006</b>	<b>0</b>
<b>Fund Balance Beginning of Year, Restated (includes prior year encumbrances appropriated)</b>	<b>228,009</b>	<b>228,009</b>	<b>228,009</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$0</b>	<b>\$0</b>	<b>\$151,294</b>	<b>\$151,294</b>

See accompanying notes to the required supplementary information.

City of Deer Park  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended December 31, 2005

	Street Maintenance Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$175,000	\$175,000	\$195,917	\$20,917
Total Revenues	175,000	175,000	195,917	20,917
Expenditures:				
Current:				
Transportation & Street Repair	252,600	252,600	169,526	83,074
Total Expenditures	252,600	252,600	169,526	83,074
Net Change in Fund Balance	(77,600)	(77,600)	26,391	103,991
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	77,613	77,613	77,613	0
Fund Balance End of Year	\$13	\$13	\$104,004	\$103,991

See accompanying notes to the required supplementary information.

## 1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the year.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General and Street Maintenance funds 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 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).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General and Street Maintenance funds.

Net Change in Fund Balance

	<u>General</u>	<u>Street Maintenance</u>
GAAP Basis	(\$99,817)	\$37,252
Net Adjustment for Revenue Accruals	1,909	(539)
Net Adjustment for Expenditure Accruals	<u>21,193</u>	<u>(10,322)</u>
Budget Basis	<u>(\$76,715)</u>	<u>\$26,391</u>



**INDEPENDENT ACCOUNTANTS' 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**



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

We have audited the financial statements of the City of Deer Park, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2005, and have issued our report thereon dated January 19, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertion's of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item #2005-003.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is 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 statements 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 and responses as items #2005-001 and #2005-002.

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

A handwritten signature in black ink, consisting of the letters 'C', 'S', and 'A' in a cursive, stylized font.

January 19, 2007

**CITY OF DEER PARK**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2005**

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

**FINDING NUMBER 2005 - 001**

**Criteria:**

Ohio Revised Code, Section 733.40, provides in general that all fines, forfeitures, costs and any other monies collected by the Mayor and due to the City shall be paid by the Mayor into the treasury of the City on the first Monday of each month.

**Condition, Causes & Recommendation:**

During 2005, amounts were not distributed to the City from the Mayor's Court account on a monthly basis.

**Effect:**

The City is not in compliance with the Ohio Revised Code.

**Management Response:**

We concur with the comments and recommendations. The City is currently addressing the issues listed.

**FINDING NUMBER 2005 - 002**

**Criteria:**

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

This section also provides two "exceptions" to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within (30) thirty days from the receipt of such certificate.

- If the amount involved is less than three thousand dollars, the fiscal officer may authorize it to be paid with such certification, but without affirmation of the City, if such expenditures are otherwise valid.

**Condition, Causes & Recommendation:**

The City failed to obtain the prior certification of the Treasurer for significantly all of the expenditures made during the audit period, and neither exception applied.

**Effect:**

The City is not in compliance with the Ohio Revised Code and a failure to properly encumber expenditures may result in overspending and negative cash fund balances. We recommend that the City establish written procedures which require all expenditures to be properly certified and encumbered prior to the time of making a commitment.

**Management Response:**

We concur with the comments and recommendations. The City is currently addressing the issues listed.

**FINDING NUMBER 2005 - 003**

**Criteria:**

To help ensure that Waste Collections Department receipts are accurately and completely accounted for, management should regularly review the receipt ledgers and document the process of reconciling the department ledger to the City ledger.

**Condition, Causes & Recommendation:**

During the audit period, a lack of segregation of duties exists in the Waste Collection Department. One clerk performs the duties of billing, collection, depositing, and posting to the ledgers.

Monthly reports of the Waste Collections Department's receipts should be reviewed by management and agreed to the City's general ledger. Furthermore, management's review of such should be formally documented.

**Effect:**

Waste Collections Department receipts may not be accurately and completely accounted for.

**Management Response:**

We concur with the comments and recommendations. The City is currently addressing the issues listed.

**CITY OF DEER PARK  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</u>
2004-001	Revised Code 5705.41, failure to remit amounts collected by Mayor's Court in a timely manner.	No	Not corrected. Reissued as Finding 2005-001.
2004-002	Revised Code 5705.41(D), failure to properly encumber.	No	Not corrected. Reissued as Finding 2005-002.
2004-003	Lack of segregation of duties in the waste collection department	No	Not corrected. Reissued as Finding 2005-003.





Mary Taylor, CPA  
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  
MAY 10, 2007