

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO
FINANCIAL STATEMENTS
December 31, 2011 and 2010**



Dave Yost • Auditor of State

Village Council
Village of Terrace Park
428 Elm Avenue
Terrace Park, Ohio 45174

We have reviewed the *Report of Independent Accountants* of the Village of Terrace Park, Hamilton County, prepared by Joseph Decosimo and Company, LLC, for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Village of Terrace Park is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

October 31, 2012

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**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**

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REPORT OF INDEPENDENT ACCOUNTANTS

Council Members
Village of Terrace Park
Hamilton County, Ohio

We have audited the accompanying financial statements of the Village of Terrace Park, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices prescribed or permitted by the Ohio Auditor of State, whose practices differ from accounting principles generally accepted in the United States of America (GAAP). The effect on the financial statements of the variances between these regulatory accounting practices and GAAP, although not reasonably determinable, are presumed to be material.

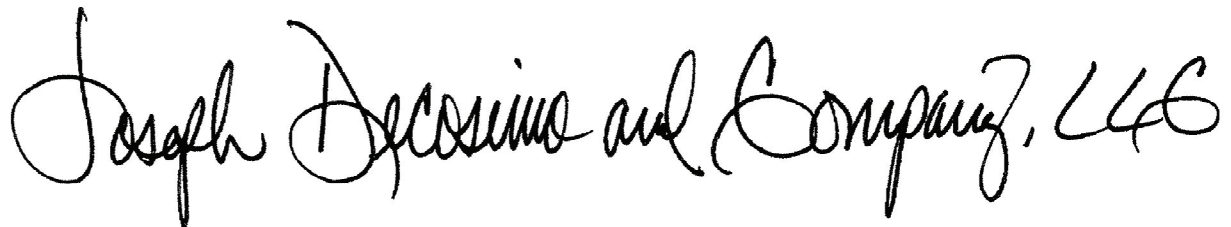
Instead of the combined funds that the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the accompanying financial statements do not follow GAAP, generally accepted auditing standards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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Terrace Park, Hamilton County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended, on the basis of accounting described in Note 1.

As described in Note 1, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2012, on our consideration of the Village'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 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 audits.

A handwritten signature in black ink that reads "Joseph Decosimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
August 30, 2012

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES**

For the Year Ended December 31, 2011

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS					
Property and local taxes	\$ 1,146,561	\$ 31,450	\$ 125,928	\$ -	\$ 1,303,939
Intergovernmental	493,069	74,827	18,131	-	586,027
Fines, licenses and permits	88,214	3,427	-	-	91,641
Earnings on investments	2,519	403	-	-	2,922
Special assessments	-	52,810	-	-	52,810
Miscellaneous	36,982	-	-	-	36,982
Total cash receipts	<u>1,767,345</u>	<u>162,917</u>	<u>144,059</u>	<u>-</u>	<u>2,074,321</u>
CASH DISBURSEMENTS					
Current -					
Security of persons and property	934,106	1,250	-	-	935,356
Leisure time activities	1,848	-	-	-	1,848
Community environment	24,095	-	-	-	24,095
Basic utility services	121,150	-	-	-	121,150
Transportation	54,672	196,966	-	-	251,638
General government	464,413	66,373	1,628	-	532,414
Debt service -					
Redemption of principal	-	-	45,000	-	45,000
Interest and fiscal charges	-	-	82,581	-	82,581
Total cash disbursements	<u>1,600,284</u>	<u>264,589</u>	<u>129,209</u>	<u>-</u>	<u>1,994,082</u>
NET CHANGE IN FUND CASH BALANCES	167,061	(101,672)	14,850	-	80,239
FUND CASH BALANCES - January 1	<u>1,048,762</u>	<u>418,267</u>	<u>157,984</u>	<u>17,790</u>	<u>1,642,803</u>
FUND CASH BALANCES - December 31					
Restricted	-	316,595	172,834	17,790	507,219
Assigned	20,207	-	-	-	20,207
Unassigned	1,195,616	-	-	-	1,195,616
FUND CASH BALANCES - December 31	<u>\$ 1,215,823</u>	<u>\$ 316,595</u>	<u>\$ 172,834</u>	<u>\$ 17,790</u>	<u>\$ 1,723,042</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES**

For the Year Ended December 31, 2010

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS					
Property and local taxes	\$ 815,367	\$ 53,770	\$ 131,901	\$ -	\$ 1,001,038
Intergovernmental	215,590	77,783	19,280	-	312,653
Fines, licenses and permits	97,438	4,421	-	-	101,859
Special assessments	-	52,275	-	-	52,275
Earnings on investments	3,530	400	-	10	3,940
Miscellaneous	14,711	160	-	-	14,871
Total cash receipts	<u>1,146,636</u>	<u>188,809</u>	<u>151,181</u>	<u>10</u>	<u>1,486,636</u>
CASH DISBURSEMENTS					
Current -					
Security of persons and property	803,592	818	-	-	804,410
Leisure time activities	6,759	-	-	-	6,759
Community environment	15,591	-	-	-	15,591
Basic utility services	127,920	-	-	-	127,920
Transportation	244,700	92,760	-	-	337,460
General government	453,965	68,888	750	-	523,603
Debt service -					
Redemption of principal	-	-	45,000	-	45,000
Interest and fiscal charges	-	-	84,156	-	84,156
Total cash disbursements	<u>1,652,527</u>	<u>162,466</u>	<u>129,906</u>	<u>-</u>	<u>1,944,899</u>
Total receipts over (under) disbursements	<u>(505,891)</u>	<u>26,343</u>	<u>21,275</u>	<u>10</u>	<u>(458,263)</u>
OTHER FINANCING RECEIPTS (DISBURSEMENTS)					
Transfers in	41,092	-	-	-	41,092
Transfers out	-	(41,092)	-	-	(41,092)
Advances in	-	14,150	-	-	14,150
Advances out	(14,150)	-	-	-	(14,150)
Total other financing receipts (disbursements)	<u>26,942</u>	<u>(26,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND CASH BALANCES	(478,949)	(599)	21,275	10	(458,263)
FUND CASH BALANCES - January 1	<u>1,527,711</u>	<u>418,866</u>	<u>136,709</u>	<u>17,780</u>	<u>2,101,066</u>
FUND CASH BALANCES - December 31					
Restricted	-	418,267	157,984	17,790	594,041
Assigned	28,784	-	-	-	28,784
Unassigned	1,019,978	-	-	-	1,019,978
FUND CASH BALANCES - December 31	<u>\$ 1,048,762</u>	<u>\$ 418,267</u>	<u>\$ 157,984</u>	<u>\$ 17,790</u>	<u>\$ 1,642,803</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
AGENCY FUND TYPES**

For the Year Ended December 31, 2011

NON-OPERATING CASH RECEIPTS	
Other non-operating cash receipts	\$ 71,697
NON-OPERATING CASH DISBURSEMENTS	
Other non-operating cash disbursements	<u>68,640</u>
NET CHANGE IN FUND CASH BALANCES	3,057
FUND CASH BALANCES - January 1	<u>3,752</u>
FUND CASH BALANCES - December 31	\$ <u>6,809</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
AGENCY FUND TYPES**

For the Year Ended December 31, 2010

NON-OPERATING CASH RECEIPTS	
Other non-operating cash receipts	\$ 80,152
NON-OPERATING CASH DISBURSEMENTS	
Other non-operating cash disbursements	<u>83,486</u>
NET CHANGE IN FUND CASH BALANCES	(3,334)
FUND CASH BALANCES - January 1	<u>7,086</u>
FUND CASH BALANCES - December 31	<u>\$ 3,752</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in the Ohio Government Risk Management Plan public entity risk pool which provides the Village with liability and property insurance coverage. Note 9 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

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

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2. Special Revenue Funds

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

Street Construction Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax receipts for construction, maintenance and repair of Village streets.

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

3. Debt Service Funds

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

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

4. Capital Projects Funds

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

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

5. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund (the Mayor's Court) accounts for the collection and distribution of court fines and forfeitures.

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

Effective January 1, 2010, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Per adoption of the standard, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3. Committed

The Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds, other than the general fund, report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes of or which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

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

H. Accumulated Leave

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

I. Subsequent Events

The Village has evaluated subsequent events for potential recognition and disclosure through August 30, 2012, the date the financial statements were available to be issued.

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments pool that all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amounts of deposits and investments as of December 31, 2011 and 2010, are as follows:

	2011	2010
Demand deposits	\$ 833,513	\$ 753,771
Demand deposits - Mayor's Court	6,809	3,752
STAR Ohio	<u>889,529</u>	<u>889,032</u>
Total deposits and investments	<u>\$ 1,729,851</u>	<u>\$ 1,646,555</u>

Deposits - Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010, are as follows:

	2011 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,743,147	\$ 1,767,345	\$ (975,802)
Special revenue	564,123	162,917	(401,206)
Debt service	302,043	144,059	(157,984)
Capital projects	<u>17,790</u>	<u>-</u>	<u>(17,790)</u>
Total	<u>\$ 3,627,103</u>	<u>\$ 2,074,321</u>	<u>\$ (1,552,782)</u>

	2011 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriations Authority	Budgetary Expenditures	Variance
General	\$ 1,733,954	\$ 1,620,492	\$ 113,462
Special revenue	265,448	265,448	-
Debt service	129,581	129,209	372
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,128,983</u>	<u>\$ 2,015,149</u>	<u>\$ 113,834</u>

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY - continued

Fund Type	2010 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,812,699	\$ 1,187,728	\$ (1,624,971)
Special revenue	543,204	202,959	(340,245)
Debt service	240,427	151,181	(89,246)
Capital projects	<u>20,038</u>	<u>10</u>	<u>(20,028)</u>
Total	<u>\$ 3,616,368</u>	<u>\$ 1,541,878</u>	<u>\$ (2,074,490)</u>

Fund Type	2010 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriations Authority	Budgetary Expenditures	Variance
General	\$ 1,798,109	\$ 1,695,460	\$ 102,649
Special revenue	381,128	206,558	174,570
Debt service	135,500	129,906	5,594
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,314,737</u>	<u>\$ 2,031,924</u>	<u>\$ 282,813</u>

The Village had outstanding encumbrances for the years ended December 31, 2011 and 2010, as follows:

Fund Type	2011	2010
General	\$ 20,207	\$ 28,784
Special revenue	<u>860</u>	<u>3,000</u>
Total	<u>\$ 21,067</u>	<u>\$ 31,784</u>

4. PROPERTY TAX

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

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

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

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS**

5. DEBT

Debt outstanding as of December 31, 2011, is as follows:

	Principal	Interest Rate
Building Facilities and Fire Truck/Equipment Bonds	\$ <u>1,765,000</u>	4.20 %

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

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

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

Years ending	Building Facilities and Fire Truck/ Equipment Bonds
December 31, 2012	\$ 126,006
December 31, 2013	129,375
December 31, 2014	142,500
December 31, 2015	145,063
December 31, 2016	142,438
December 31, 2017-2021	734,938
December 31, 2022-2026	776,438
December 31, 2027-2029	<u>478,037</u>
Total	<u>\$ 2,674,795</u>

6. FUND CASH BALANCES

The fund cash balances for all governmental funds are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources.

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**

NOTES TO FINANCIAL STATEMENTS

6. FUND CASH BALANCES - continued

The constraints of the fund cash balances for the year ended December 31, 2011, are as follows:

	General Fund	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Restricted -					
Road Maintenance and Improvements	\$ -	\$ 228,148	\$ -	\$ -	\$ 228,148
Parks and Recreation	-	55,259	-	-	55,259
Drug and Alcohol Education and Enforcement	-	3,092	-	-	3,092
Police Operations	-	30,096	-	-	30,096
Debt Service	-	-	172,834	-	172,834
Capital Projects	-	-	-	17,790	17,790
Assigned -					
Salaries and benefits	9,791	-	-	-	9,791
Supplies	10,416	-	-	-	10,416
Unassigned	<u>1,195,616</u>	-	-	-	<u>1,195,616</u>
Total	<u>\$ 1,215,823</u>	<u>\$ 316,595</u>	<u>\$ 172,834</u>	<u>\$ 17,790</u>	<u>\$ 1,723,042</u>

The constraints of the fund cash balances for the year ended December 31, 2010, are as follows:

	General Fund	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Restricted -					
Road Maintenance and Improvements	\$ -	\$ 318,434	\$ -	\$ -	\$ 318,434
Parks and Recreation	-	65,504	-	-	65,504
Drug and Alcohol Education and Enforcement	-	3,092	-	-	3,092
Police Operations	-	31,237	-	-	31,237
Debt Service	-	-	157,984	-	157,984
Capital Projects	-	-	-	17,790	17,790
Assigned -					
Salaries and benefits	6,888	-	-	-	6,888
Supplies	21,896	-	-	-	21,896
Unassigned	<u>1,019,978</u>	-	-	-	<u>1,019,978</u>
Total	<u>\$ 1,048,762</u>	<u>\$ 418,267</u>	<u>\$ 157,984</u>	<u>\$ 17,790</u>	<u>\$ 1,642,803</u>

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS**

7. INTERFUND TRANSFERS AND ADVANCES

The Village had no interfund activity for the year ended December 31, 2011. Interfund activity for the year ended December 31, 2010, was as follows:

Transfer to Fund	Transfer from Fund	
General Fund	FEMA (Special Revenue)	\$ <u>41,092</u>
Advance to Fund	Advance from Fund	
Parks and Recreation (Special Revenue)	General Fund	\$ <u>14,150</u>

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or to use unrestricted receipts collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The FEMA Special Revenue Fund transferred \$41,092 to the General Fund for a portion of reimbursed expenses that originally were paid by the General Fund.

The General Fund advanced \$14,150 to the Parks and Recreation Special Revenue Fund to cover any fund shortfalls.

8. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS**

9. RISK MANAGEMENT

Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 40% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 780 members as of December 31, 2011. The Village participates in this coverage.

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

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

The Plan’s audited financial statements conform with generally accepted accounting principles and reported the following assets, liabilities and members' equity as of December 31, 2011 and 2010:

	2011	2010
Assets	\$ 12,501,280	\$ 12,036,541
Liabilities	<u>(5,328,761)</u>	<u>(4,845,056)</u>
Members' equity	<u>\$ 7,172,519</u>	<u>\$ 7,191,485</u>

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

**Report of Independent Accountants 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***

Council Members
Village of Terrace Park
Hamilton County, Ohio

We have audited the financial statements of the Village of Terrace Park, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 30, 2012, in which it is noted that the Village prepares its financial statements on a basis of accounting prescribed or permitted by the Ohio Auditor of State, which is a basis other than accounting principles generally accepted in the United States of America. It is also noted that the Village adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2010. We conducted our audits 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

Management of the Village is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

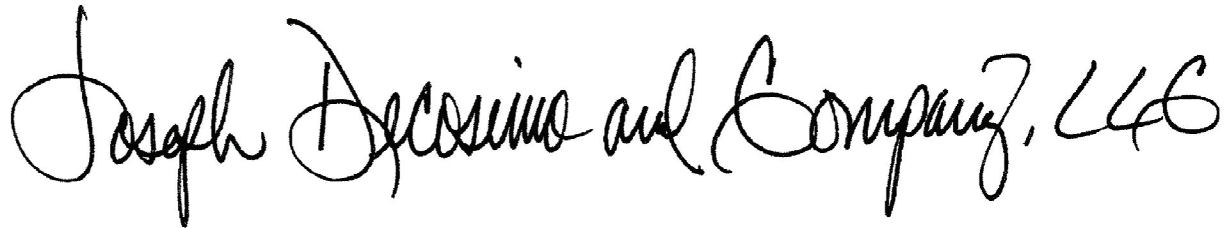
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village of Terrace park in a separate letter dated August 30, 2012.

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

A handwritten signature in black ink that reads "Joseph Decosimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
August 30, 2012

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**
SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	ORC, 733.28, maintain accurate books and statements	Yes	
2009-002	ORC 5705.41(D), obtain prior approval before all purchases	Yes	
2009-003	Perform accurate bank reconciliations on a monthly basis	Yes	

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Dave Yost • Auditor of State

VILLAGE OF TERRACE PARK

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 13, 2012