

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO
FINANCIAL STATEMENTS
December 31, 2013 and 2012**



Dave Yost • Auditor of State

Village Council
Village of Terrace Park
428 Elm Ave.
Terrace Park, Ohio 45174

We have reviewed the *Independent Auditor's Report* of the Village of Terrace Park, Hamilton County, prepared by Joseph Decosimo and Company, LLC, for the audit period January 1, 2012 through December 31, 2013. 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 Village of Terrace Park is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

July 2, 2014

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

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INDEPENDENT AUDITOR'S REPORT

Council Members
Village of Terrace Park
Hamilton County, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Terrace Park, Hamilton County, Ohio, (the Village) which comprise the cash and unencumbered cash for each fund as of December 31, 2013 and 2012, and the related statements of receipts, disbursements and changes in fund balances (cash basis) for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Ohio Auditor of State, whose practices differ from accounting principles generally accepted in the United States of America (GAAP). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of the Ohio Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Ohio Auditor of State.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

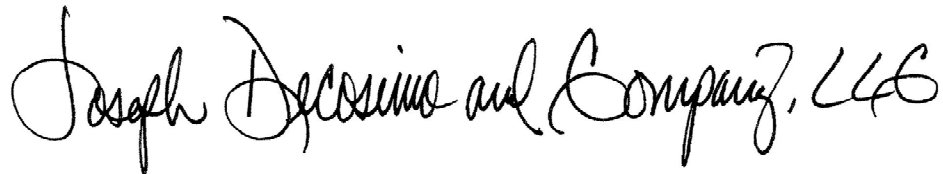
In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Village as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash of each fund of the Village as of December 31, 2013 and 2012, and their respective receipts, disbursements, and changes in fund balances (cash basis) for the years then ended, in accordance with the financial reporting provisions of the Ohio Auditor of State described in Note 1.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014, 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* in considering the Village's internal control over financial reporting and compliance.

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

Cincinnati, Ohio
June 16, 2014

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

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

For the Year Ended December 31, 2013

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS					
Property and local taxes	\$ 1,064,220	\$ 31,279	\$ 114,357	\$ -	\$ 1,209,856
Intergovernmental	294,660	81,163	16,851	-	392,674
Fines, licenses and permits	111,365	3,895	-	-	115,260
Earnings on investments	1,362	111	-	-	1,473
Special assessments	-	47,524	-	-	47,524
Miscellaneous	<u>50,159</u>	<u>492</u>	<u>-</u>	<u>-</u>	<u>50,651</u>
Total cash receipts	<u>1,521,766</u>	<u>164,464</u>	<u>131,208</u>	<u>-</u>	<u>1,817,438</u>
CASH DISBURSEMENTS					
Current -					
Security of persons and property	807,724	1,497	-	-	809,221
Leisure time activities	839	-	-	-	839
Community environment	29,346	-	-	-	29,346
Basic utility services	137,380	-	-	-	137,380
Transportation	76,781	221,881	-	-	298,662
General government	423,448	75,115	1,581	-	500,144
Debt service -					
Redemption of principal	-	-	50,000	-	50,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>79,375</u>	<u>-</u>	<u>79,375</u>
Total cash disbursements	<u>1,475,518</u>	<u>298,493</u>	<u>130,956</u>	<u>-</u>	<u>1,904,967</u>
NET CHANGE IN FUND CASH BALANCES	46,248	(134,029)	252	-	(87,529)
FUND CASH BALANCES - January 1	<u>1,101,544</u>	<u>229,932</u>	<u>176,513</u>	<u>17,790</u>	<u>1,525,779</u>
FUND CASH BALANCES - December 31					
Restricted	-	95,903	176,765	17,790	290,458
Assigned	9,325	-	-	-	9,325
Unassigned	<u>1,138,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,138,467</u>
FUND CASH BALANCES - December 31	<u>\$ 1,147,792</u>	<u>\$ 95,903</u>	<u>\$ 176,765</u>	<u>\$ 17,790</u>	<u>\$ 1,438,250</u>

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

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

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

For the Year Ended December 31, 2012

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS					
Property and local taxes	\$ 1,064,163	\$ 32,417	\$ 114,374	\$ -	\$ 1,210,954
Intergovernmental	233,570	84,187	16,848	99,000	433,605
Fines, licenses and permits	101,814	3,599	-	-	105,413
Earnings on investments	1,953	249	-	-	2,202
Special assessments	-	48,512	-	-	48,512
Miscellaneous	20,740	-	-	-	20,740
Total cash receipts	<u>1,422,240</u>	<u>168,964</u>	<u>131,222</u>	<u>99,000</u>	<u>1,821,426</u>
CASH DISBURSEMENTS					
Current -					
Security of persons and property	820,135	2,688	-	-	822,823
Leisure time activities	1,644	-	-	-	1,644
Community environment	31,200	-	-	-	31,200
Basic utility services	145,180	-	-	-	145,180
Transportation	69,705	190,906	-	-	260,611
General government	468,655	62,033	1,537	-	532,225
Debt service -					
Redemption of principal	-	-	45,000	-	45,000
Interest and fiscal charges	-	-	81,006	-	81,006
Capital outlay	-	-	-	99,000	99,000
Total cash disbursements	<u>1,536,519</u>	<u>255,627</u>	<u>127,543</u>	<u>99,000</u>	<u>2,018,689</u>
NET CHANGE IN FUND CASH BALANCES	(114,279)	(86,663)	3,679	-	(197,263)
FUND CASH BALANCES - January 1	<u>1,215,823</u>	<u>316,595</u>	<u>172,834</u>	<u>17,790</u>	<u>1,723,042</u>
FUND CASH BALANCES - December 31					
Restricted	-	229,932	176,513	17,790	424,235
Assigned	8,481	-	-	-	8,481
Unassigned	1,093,063	-	-	-	1,093,063
FUND CASH BALANCES - December 31	<u>\$ 1,101,544</u>	<u>\$ 229,932</u>	<u>\$ 176,513</u>	<u>\$ 17,790</u>	<u>\$ 1,525,779</u>

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

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

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

For the Year Ended December 31, 2013

NON-OPERATING CASH RECEIPTS	
Other non-operating cash receipts	\$ 78,919
NON-OPERATING CASH DISBURSEMENTS	
Other non-operating cash disbursements	<u>78,750</u>
NET CHANGE IN FUND CASH BALANCES	169
FUND CASH BALANCES - January 1	<u>6,254</u>
FUND CASH BALANCES - December 31	<u>\$ 6,423</u>

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

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

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

For the Year Ended December 31, 2012

NON-OPERATING CASH RECEIPTS	
Other non-operating cash receipts	\$ 68,609
NON-OPERATING CASH DISBURSEMENTS	
Other non-operating cash disbursements	<u>69,164</u>
NET CHANGE IN FUND CASH BALANCES	(555)
FUND CASH BALANCES - January 1	<u>6,809</u>
FUND CASH BALANCES - December 31	\$ <u>6,254</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, Ohio, 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 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 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 accounts for and reports all financial resources not accounted for and reported 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. 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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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

Fiduciary funds include 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 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

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 for 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 unpaid leave.

I. Interfund Transfers and Advances

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

In 2010, the General Fund advanced the Parks and Recreation Special Revenue Fund \$14,150 to cover any fund shortfall. As of December 31, 2013, this amount has not been repaid to the General Fund.

J. Subsequent Events

The Village has evaluated subsequent events for potential recognition and disclosure through June 16, 2014, the date the financial statements were available to be issued.

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, 2013 and 2012, are as follows:

	2013	2012
Demand deposits	\$ 547,695	\$ 635,571
Demand deposits - Mayor's Court	<u>6,423</u>	<u>6,254</u>
Total deposits	<u>554,118</u>	641,825
STAR Ohio	<u>890,555</u>	<u>890,208</u>
Total deposits and investments	<u>\$ 1,444,673</u>	<u>\$ 1,532,033</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.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012, are as follows:

	2013			2012		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
General Fund						
Total receipts	\$ 1,406,555	\$ 1,521,766	\$ 115,211	\$ 1,391,426	\$ 1,422,240	\$ 30,814
Total expenditures	<u>(1,574,235)</u>	<u>(1,484,843)</u>	<u>89,392</u>	<u>(1,615,366)</u>	<u>(1,545,000)</u>	<u>70,366</u>
Net change in fund balance	(167,680)	36,923	204,603	(223,940)	(122,760)	101,180
Fund balance at beginning of year	1,093,063	1,093,063	-	1,195,616	1,195,616	-
Prior year encumbrances appropriated	<u>8,481</u>	<u>8,481</u>	<u>-</u>	<u>20,207</u>	<u>20,207</u>	<u>-</u>
Fund balance at end of year	<u>\$ 933,864</u>	<u>\$ 1,138,467</u>	<u>\$ 204,603</u>	<u>\$ 991,883</u>	<u>\$ 1,093,063</u>	<u>\$ 101,180</u>

	2013			2012		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Special Revenue						
Total receipts	\$ 165,750	\$ 164,464	\$ (1,286)	\$ 165,551	\$ 168,964	\$ 3,413
Total expenditures	<u>(311,445)</u>	<u>(299,780)</u>	<u>11,665</u>	<u>(276,816)</u>	<u>(257,052)</u>	<u>19,764</u>
Net change in fund balance	(145,695)	(135,316)	10,379	(111,265)	(88,088)	23,177
Fund balance at beginning of year	228,507	228,507	-	315,735	315,735	-
Prior year encumbrances appropriated	<u>1,425</u>	<u>1,425</u>	<u>-</u>	<u>860</u>	<u>860</u>	<u>-</u>
Fund balance at end of year	<u>\$ 84,237</u>	<u>\$ 94,616</u>	<u>\$ 10,379</u>	<u>\$ 205,330</u>	<u>\$ 228,507</u>	<u>\$ 23,177</u>

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

3. BUDGETARY ACTIVITY - continued

	2013			2012		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Debt Service						
Total receipts	\$ 148,201	\$ 131,208	\$ (16,993)	\$ 148,202	\$ 131,222	\$ (16,980)
Total expenditures	<u>(131,375)</u>	<u>(130,956)</u>	<u>419</u>	<u>(128,007)</u>	<u>(127,543)</u>	<u>464</u>
Net change in fund balance	16,826	252	(16,574)	20,195	3,679	(16,516)
Fund balance at beginning of year	176,513	176,513	-	172,834	172,834	-
Prior year encumbrances appropriated	-	-	-	-	-	-
Fund balance at end of year	<u>\$ 193,339</u>	<u>\$ 176,765</u>	<u>\$ (16,574)</u>	<u>\$ 193,029</u>	<u>\$ 176,513</u>	<u>\$ (16,516)</u>

	2013			2012		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Capital Projects						
Total receipts	\$ -	\$ -	\$ -	\$ 99,000	\$ 99,000	\$ -
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,000)</u>	<u>(99,000)</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-	-
Fund balance at beginning of year	17,790	17,790	-	17,790	17,790	-
Prior year encumbrances appropriated	-	-	-	-	-	-
Fund balance at end of year	<u>\$ 17,790</u>	<u>\$ 17,790</u>	<u>\$ -</u>	<u>\$ 17,790</u>	<u>\$ 17,790</u>	<u>\$ -</u>

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

3. BUDGETARY ACTIVITY - continued

The Village had outstanding encumbrances for the years ended December 31, 2013 and 2012, as follows:

Fund Type	2013	2012
General	\$ 9,325	\$ 8,481
Special revenue	<u>1,287</u>	<u>1,425</u>
Total	<u>\$ 10,612</u>	<u>\$ 9,906</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 the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. DEBT

Debt outstanding as of December 31, 2013, is as follows:

	Principal	Interest Rate
Building Facilities and Fire Truck/Equipment Bonds	\$ <u>1,670,000</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.

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

5. DEBT - continued

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

Years ending	Building Facilities and Fire Truck/ Equipment Bonds
December 31, 2014	\$ 142,500
December 31, 2015	145,063
December 31, 2016	142,438
December 31, 2017	143,938
December 31, 2018	145,188
December 31, 2019-2023	750,438
December 31, 2024-2028	788,263
December 31, 2029	<u>161,588</u>
Total	<u>\$ 2,419,416</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.

The constraints of the fund cash balances for the year ended December 31, 2013, are as follows:

	General Fund	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Restricted -					
Road Maintenance and Improvements	\$ -	\$ 44,609	\$ -	\$ -	\$ 44,609
Community Development	-	25,711	-	-	25,711
Drug and Alcohol Education and Enforcement	-	5,107	-	-	5,107
Police Operations	-	20,476	-	-	20,476
Debt Service	-	-	176,765	-	176,765
Capital Projects	-	-	-	17,790	17,790
Assigned -					
Supplies	9,325	-	-	-	9,325
Unassigned	<u>1,138,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,138,467</u>
Total	<u>\$ 1,147,792</u>	<u>\$ 95,903</u>	<u>\$ 176,765</u>	<u>\$ 17,790</u>	<u>\$ 1,438,250</u>

**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, 2012, are as follows:

	General Fund	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Restricted -					
Road Maintenance and Improvements	\$ -	\$ 154,095	\$ -	\$ -	\$ 154,095
Community Development	-	45,642	-	-	45,642
Drug and Alcohol Education and Enforcement	-	5,157	-	-	5,157
Police Operations	-	25,038	-	-	25,038
Debt Service	-	-	176,513	-	176,513
Capital Projects	-	-	-	17,790	17,790
Assigned -					
Supplies	8,481	-	-	-	8,481
Unassigned	<u>1,093,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,093,063</u>
Total	<u>\$ 1,101,544</u>	<u>\$ 229,932</u>	<u>\$ 176,513</u>	<u>\$ 17,790</u>	<u>\$ 1,525,779</u>

7. 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 2013 and 2012, OP&F participants contributed 10% of their wages, except for the period July 1, 2013 through December 31, 2013, when OP&F participants contributed 10.75% of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% for firefighters. For 2013 and 2012, 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, 2013.

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

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formally known as 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.

OPRM coverage programs 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 41.5% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012, the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively. 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, 2012 and 2011, (the latest information available):

	2012	2011
Assets	\$ 13,100,381	\$ 12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' equity	<u>\$ 6,413,188</u>	<u>\$ 7,172,519</u>

You can read the complete audited financial statements for the OPRM at the Plan's website, www.ohioplan.org.

**Independent Auditor's 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***

Council Members
Village of Terrace Park
Hamilton County, Ohio

We have audited, 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, the financial statements of the Village of Terrace Park, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's financial statements, and have issued our report thereon dated June 16, 2014, 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.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

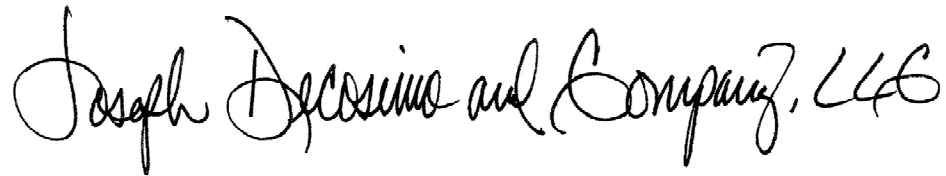
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Cincinnati, Ohio
June 16, 2014

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2013 and 2012

None Reported

**VILLAGE OF TERRACE PARK,
HAMILTON COUNTY, OHIO**
SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
None Reported			

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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
JULY 15, 2014**