

DEER PARK CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Education
Deer Park City School District
8688 Donna Lane
Cincinnati, Ohio 45236

We have reviewed the *Report of Independent Accountants* of the Deer Park City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2004 through June 30, 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 Deer Park City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 19, 2006

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January 20, 2006

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Education
Deer Park City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Deer Park City School District, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

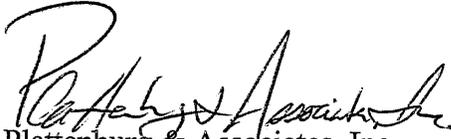
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, the District has implemented Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006, on our consideration of the District'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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information 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.



Plattenburg & Associates, Inc.
Certified Public Accountants

DEER PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
(Unaudited)

The discussion and analysis of Deer Park City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities increased \$296,524 which represents a 7% increase from 2004.
- General revenues accounted for \$13,009,263 in revenue or 90% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,424,183 or 10% of total revenues of \$14,433,446.
- Total assets of governmental activities increased by \$582,455 as taxes receivable increased by \$1,260,949 while cash and other receivables decreased by \$723,391.
- The District had \$14,136,922 in expenses related to governmental activities; only \$1,424,183 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,009,263 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. 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 what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2005?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. 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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. 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.

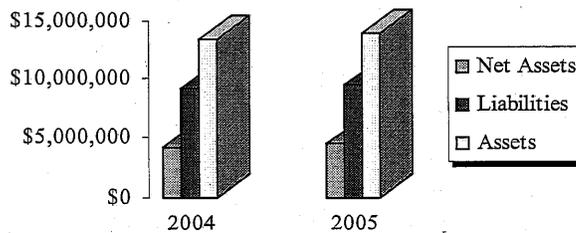
The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2004 compared to 2005:

Table 1
Net Assets

	Governmental Activities	
	2004	2005
Assets		
Current Assets	\$10,258,280	\$10,785,929
Capital Assets	3,184,541	3,239,347
Total Assets	13,442,821	14,025,276
Liabilities		
Long-Term Liabilities	2,163,457	2,058,059
Other Liabilities	7,042,316	7,433,645
Total Liabilities	9,205,773	9,491,704
Net Assets		
Invested in Capital		
Assets Net of Debt	1,767,750	2,018,044
Restricted	1,066,070	1,154,163
Unrestricted	1,403,228	1,361,365
Total Net Assets	\$4,237,048	\$4,533,572



Over time, assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$4,533,572.

At year-end, capital assets represented 23% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2005, was \$2,018,044. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,154,163, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of \$1,361,365 may be used to meet the District's ongoing obligation to the students and creditors. The external restriction will not affect the availability of fund resources for future use.

Table 2 shows the change in net assets for fiscal year 2005 compared to fiscal year 2004.

Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2005
Revenues		
Program Revenues:		
Charges for Services	\$488,788	\$535,484
Operating Grants	485,173	888,699
General Revenue:		
Property Taxes	6,908,666	8,477,208
Grants and Entitlements	4,215,654	4,253,275
Other	561,486	278,780
Total Revenues	<u>12,659,767</u>	<u>14,433,446</u>
Program Expenses:		
Instruction	7,015,877	7,745,478
Support Services:		
Pupil and Instructional Staff	1,771,932	1,897,627
General and School Administrative, Fiscal and Business	1,992,096	1,940,664
Operations and Maintenance	1,290,685	1,243,931
Pupil Transportation	215,837	251,398
Central	50,944	56,010
Operation of Non-Instructional Services	469,478	536,753
Extracurricular Activities	361,075	407,300
Interest and Fiscal Charges	44,771	57,761
Total Expenses	<u>13,212,695</u>	<u>14,136,922</u>
Change in Net Assets	(552,928)	296,524
Beginning Net Assets	<u>4,789,976</u>	<u>4,237,048</u>
Ending Net Assets	<u>\$4,237,048</u>	<u>\$4,533,572</u>

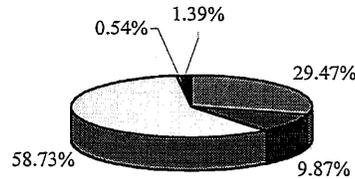
Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general and capital projects purposes and grants and entitlements comprised 88% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio district dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 59% of revenue for governmental activities for the District in fiscal year 2005.

<u>Revenue Sources</u>	<u>2005</u>	<u>Percent of Total</u>
General Grants	\$4,253,275	29.47%
Program Revenues	1,424,183	9.87%
General Tax Revenues	8,477,208	58.73%
Investment Earnings	77,584	0.54%
Other Revenues	201,196	1.39%
	<u>\$14,433,446</u>	<u>100.00%</u>



Instruction comprises 55% of governmental program expenses. Support services expenses were 38% of governmental program expenses. All other expense including interest was 7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The increase in tax revenues is the result of an increase in the amount of taxes available for advance. Instruction expenses increased as a result of higher teacher salaries.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2004	2005	2004	2005
Instruction	\$7,015,877	\$7,745,478	(\$6,732,878)	(\$7,396,771)
Support Services:				
Pupil and Instructional Staff	1,771,932	1,897,627	(1,566,897)	(1,578,947)
General and School Administrative, Fiscal and Business	1,992,096	1,940,664	(1,990,070)	(1,938,196)
Operations and Maintenance	1,290,685	1,243,931	(1,263,277)	(1,073,992)
Pupil Transportation	215,837	251,398	(215,837)	(251,398)
Central	50,944	56,010	(42,379)	(50,348)
Operation of Non-Instructional Services	469,478	536,753	(61,194)	(79,871)
Extracurricular Activities	361,075	407,300	(321,431)	(285,455)
Interest and Fiscal Charges	44,771	57,761	(44,771)	(57,761)
Total Expenses	<u>\$13,212,695</u>	<u>\$14,136,922</u>	<u>(\$12,238,734)</u>	<u>(\$12,712,739)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$9,279,402 (86%) of the total \$10,785,929 governmental funds assets.

General Fund: Fund balance at June 30, 2005 was \$1,826,917 an increase in fund balance of \$128,707 from 2004. The fund balance remained fairly consistent from 2004 to 2005.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2005, the District amended its general fund budget several times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$11,854,445, compared to original budget estimates of \$11,489,831. Of the \$364,614 difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$382,263 at fiscal year end.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$3,239,347 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2005 balances compared to fiscal 2004:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2004	2005
Land	\$330,425	\$330,425
Buildings and Improvements	2,187,779	2,261,708
Equipment	666,337	647,214
Total Net Capital Assets	<u>\$3,184,541</u>	<u>\$3,239,347</u>

The increase in capital assets is due to additions being larger than depreciation expense for the fiscal year.

See the notes to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2005, the District had \$1,221,303 in bonds and capital leases payable, \$163,029 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2004	2005
General Obligation Bonds:		
School Energy Conservation Bonds	<u>\$175,000</u>	<u>\$120,000</u>
Capital Leases Payable:		
Phone System	<u>1,241,791</u>	<u>1,101,303</u>
Subtotal Capital Leases Payable	<u>1,241,791</u>	<u>1,101,303</u>
Total Outstanding Debt at Year End	<u>\$1,416,791</u>	<u>\$1,221,303</u>

See the notes to the basic financial statements for further details on the District's long-term liabilities.

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dan Mpagi, Treasurer at Deer Park City School District, 8688 Donna Lane, Cincinnati, Ohio 45236. Or E-mail at mpagi.d@deerparkcityschools.org.

Deer Park City School District
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$1,680,724
Restricted Cash and Investments	53,055
Receivables:	
Taxes	8,974,052
Accounts	4,894
Interest	5,639
Intergovernmental	67,565
Nondepreciable Capital Assets	330,425
Depreciable Capital Assets, Net	<u>2,908,922</u>
Total Assets	<u>14,025,276</u>
Liabilities:	
Accounts Payable	55,307
Accrued Wages and Benefits	1,534,408
Accrued Interest Payable	1,090
Deferred Revenue	5,842,840
Long-Term Liabilities:	
Due Within One Year	283,157
Due In More Than One Year	<u>1,774,902</u>
Total Liabilities	<u>9,491,704</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,018,044
Restricted for:	
Special Revenue	420,311
Debt Service	17,100
Capital Projects	663,697
Set-Aside	53,055
Unrestricted	<u>1,361,365</u>
Total Net Assets	<u><u>\$4,533,572</u></u>

See accompanying notes to the basic financial statements.

Deer Park City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$6,190,716	\$95,769	\$206,440	(\$5,888,507)
Special	1,383,817	0	46,487	(1,337,330)
Vocational	170,445	0	0	(170,445)
Other	500	0	11	(489)
Support Services:				
Pupil	846,566	0	66,692	(779,874)
Instructional Staff	1,051,061	0	251,988	(799,073)
General Administration	126,687	0	0	(126,687)
School Administration	1,226,228	0	0	(1,226,228)
Fiscal	435,565	0	0	(435,565)
Business	152,184	0	2,468	(149,716)
Operations and Maintenance	1,243,931	0	169,939	(1,073,992)
Pupil Transportation	251,398	0	0	(251,398)
Central	56,010	0	5,662	(50,348)
Operation of Non-Instructional Services	536,753	317,870	139,012	(79,871)
Extracurricular Activities	407,300	121,845	0	(285,455)
Interest and Fiscal Charges	57,761	0	0	(57,761)
Total Governmental Activities	\$14,136,922	\$535,484	\$888,699	(12,712,739)

General Revenues:

Property Taxes Levied for:

General Purposes	8,221,756
Capital Projects Purposes	255,452
Grants and Entitlements not Restricted	4,253,275
Investment Earnings	77,584
Other Revenues	201,196

Total General Revenues 13,009,263

Change in Net Assets 296,524

Net Assets Beginning of Year 4,237,048

Net Assets End of Year \$4,533,572

See accompanying notes to the basic financial statements.

Deer Park City School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$590,890	\$1,089,834	\$1,680,724
Restricted Cash and Investments	53,055	0	53,055
Receivables:			
Taxes	8,603,373	370,679	8,974,052
Accounts	2,394	2,500	4,894
Interest	5,528	111	5,639
Intergovernmental	24,162	43,403	67,565
Total Assets	9,279,402	1,506,527	10,785,929
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	49,373	5,934	55,307
Accrued Wages and Benefits	1,434,400	100,008	1,534,408
Compensated Absences	77,072	0	77,072
Deferred Revenue	5,891,640	317,673	6,209,313
Total Liabilities	7,452,485	423,615	7,876,100
Fund Balances:			
Reserved for Encumbrances	195,738	57,405	253,143
Reserved for Property Tax Advances	2,730,000	85,000	2,815,000
Reserved for Set-Aside	53,055	0	53,055
Unreserved, Undesignated, Reported in:			
General Fund	(1,151,876)	0	(1,151,876)
Special Revenue Funds	0	355,639	355,639
Debt Service Funds	0	18,190	18,190
Capital Projects Funds	0	566,678	566,678
Total Fund Balances	1,826,917	1,082,912	2,909,829
Total Liabilities and Fund Balances	\$9,279,402	\$1,506,527	\$10,785,929

See accompanying notes to the basic financial statements.

Deer Park City School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2005

Total Governmental Fund Balance \$2,909,829

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. 3,239,347

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

Delinquent Property Taxes	334,479	
Intergovernmental	<u>31,994</u>	
		366,473

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. (1,090)

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	<u>(759,684)</u>	
		(759,684)

Long-term liabilities, are not due and payable in the current
period and therefore are not reported in the funds. (1,221,303)

Net Assets of Governmental Activities \$4,533,572

See accompanying notes to the basic financial statements.

Deer Park City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$8,300,036	\$257,927	\$8,557,963
Tuition and Fees	95,769	0	95,769
Investment Earnings	75,750	1,834	77,584
Intergovernmental	4,320,717	820,846	5,141,563
Extracurricular Activities	18,545	103,300	121,845
Charges for Services	0	317,870	317,870
Other Revenues	152,299	50,269	202,568
Total Revenues	12,963,116	1,552,046	14,515,162
Expenditures:			
Current:			
Instruction:			
Regular	5,872,264	166,414	6,038,678
Special	1,378,731	16,175	1,394,906
Vocational	170,445	0	170,445
Other	0	500	500
Support Services:			
Pupil	792,675	41,951	834,626
Instructional Staff	660,365	341,235	1,001,600
General Administration	126,687	0	126,687
School Administration	1,233,361	0	1,233,361
Fiscal	415,747	3,082	418,829
Business	147,566	285	147,851
Operations and Maintenance	1,116,008	126,697	1,242,705
Pupil Transportation	241,253	0	241,253
Central	52,465	1,888	54,353
Operation of Non-Instructional Services	250	528,077	528,327
Extracurricular Activities	270,389	132,668	403,057
Capital Outlay	98,260	106,543	204,803
Debt Service:			
Principal Retirement	140,488	55,000	195,488
Interest and Fiscal Charges	49,517	9,538	59,055
Total Expenditures	12,766,471	1,530,053	14,296,524
Excess of Revenues Over (Under) Expenditures	196,645	21,993	218,638
Other Financing Sources (Uses):			
Transfers In	0	67,938	67,938
Transfers (Out)	(67,938)	0	(67,938)
Total Other Financing Sources (Uses)	(67,938)	67,938	0
Net Change in Fund Balance	128,707	89,931	218,638
Fund Balance Beginning of Year, Restated	1,698,210	992,981	2,691,191
Fund Balance End of Year	\$1,826,917	\$1,082,912	\$2,909,829

See accompanying notes to the basic financial statements.

Deer Park City School District
 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 June 30, 2005

Net Change in Fund Balance - Total Governmental Funds \$218,638

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	255,121	
Depreciation Expense	<u>(198,943)</u>	56,178

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. (1,372)

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

Delinquent Property Taxes	(80,755)	
Intergovernmental	<u>411</u>	(80,344)

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 195,488

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 1,294

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	<u>(93,358)</u>	
		<u>(93,358)</u>

Change in Net Assets of Governmental Activities \$296,524

See accompanying notes to the basic financial statements.

Deer Park City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Private Purpose Trust Fund</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$40,050</u>	<u>\$17,998</u>
Total Assets	<u>40,050</u>	<u>\$17,998</u>
Liabilities:		
Accounts Payable	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>\$17,998</u>
Net Assets:		
Held in Trust	<u>40,050</u>	
Total Net Assets	<u>\$40,050</u>	

See accompanying notes to the basic financial statements.

Deer Park City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2005

	<u>Private Purpose Trust Fund</u>
Additions:	
Donations	<u>\$0</u>
Total Additions	<u>0</u>
Deductions:	
Scholarships	<u>0</u>
Total Deductions	<u>0</u>
Change in Net Assets	0
Net Assets Beginning of Year	<u>40,050</u>
Net Assets End of Year	<u><u>\$40,050</u></u>

See accompanying notes to the basic financial statements.

DEER PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

1. DESCRIPTION OF THE DISTRICT

The Deer Park City School, Hamilton County, Ohio (the District) was chartered by the Ohio State Legislature in 1832 when state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and /or federal agencies. This Board controls the District's instructional and support facilities staffed by 72 non-certificated personnel and 111 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 20th largest in Hamilton County in terms of enrollment. It currently operates three elementary schools, and one high school (grades 7-12).

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The District is associated with one organization that is defined as a jointly governed organization. This organization is Hamilton/Clermont Cooperative Association and it is presented in Note 17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

The District'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.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

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

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds (except agency funds) are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

Governmental funds focus 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 District's major governmental funds:

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The student activities agency fund is used to account for assets and liabilities generated by student managed activities. The School District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

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. Fiduciary funds also use the accrual basis of accounting. Differences in the actual and the 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District 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: property taxes available for advance, grants and interest.

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 June 30, 2005, but which were levied to finance fiscal year 2006 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 fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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 the governmental funds.

EQUITY IN POOLED CASH AND INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$75,750.

INVENTORY

Inventories are presented at cost on a first in, first out basis and are expended/expensed when used. Inventory for a School District consists of food held for resale and consumable supplies. The District reported no inventory at year end.

CAPITAL ASSETS

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 District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	10-50 years
Equipment	5-20 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

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 fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

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 borrowings 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

INTERFUND ACTIVITY

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities.

ESTIMATES

The preparation of 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.

RESTRICTED ASSETS

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, property tax advances and set-asides. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. 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 District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District 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 District'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 District, 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 District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2005, \$1,759,455 of the District's bank balance of \$1,859,455 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 District'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 June 30, 2005, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
STAROhio	<u>\$233,534</u>	0.00
Total Fair Value	<u>\$233,534</u>	
Portfolio Weighted Average Maturity		0.00

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’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. Investments in STAROhio were rated AAA by Standards & Poor’s.

Concentration of credit risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has only invested in STAROhio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District 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 District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

4. PROPERTY TAXES

Real property taxes collected in 2005 were levied in April on the assessed values as of January 1, 2004, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2005, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2005. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005, was \$2,730,000 for General Fund and \$85,000 for Permanent Improvement Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2005 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$198,755,550
Public Utility Personal	11,275,470
Tangible Personal Property	<u>6,903,190</u>
Total	<u>\$216,934,210</u>

5. RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, accounts, intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$330,425	\$0	\$0	\$330,425
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	27,041,447	184,393	0	27,225,840
Equipment	1,504,430	70,728	3,200	1,571,958
Totals at Historical Cost	<u>28,876,302</u>	<u>255,121</u>	<u>3,200</u>	<u>29,128,223</u>
Less Accumulated Depreciation:				
Buildings and Improvements	24,853,668	110,464	0	24,964,132
Equipment	838,093	88,479	1,828	924,744
Total Accumulated Depreciation	<u>25,691,761</u>	<u>198,943</u>	<u>1,828</u>	<u>25,888,876</u>
Governmental Activities Capital Assets, Net	<u>\$3,184,541</u>	<u>\$56,178</u>	<u>\$1,372</u>	<u>\$3,239,347</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$103,933
Special	4,198
Support Services:	
Pupil	223
Instructional Staff	26,452
School Administration	5,962
Business	4,333
Operations and Maintenance	27,472
Pupil Transportation	13,147
Central	1,657
Operation of Non-Instructional Services	7,323
Extracurricular Activities	4,243
Total Depreciation Expense	<u>\$198,943</u>

7. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds:						
School Energy Conservation Bonds 1997 5.45%	4/01/07	<u>\$175,000</u>	<u>\$0</u>	<u>\$55,000</u>	<u>\$120,000</u>	<u>\$60,000</u>
Total General Obligation Bonds		175,000	0	55,000	120,000	60,000
Capital Leases 2004 4.20%	5/01/14	<u>1,241,791</u>	<u>0</u>	<u>140,488</u>	<u>1,101,303</u>	<u>103,029</u>
Total Long Term Debt		1,416,791	0	195,488	1,221,303	163,029
Compensated Absences		<u>746,666</u>	<u>161,166</u>	<u>71,076</u>	<u>836,756</u>	<u>120,128</u>
Total Governmental Activities Long-Term Liabilities		<u>\$2,163,457</u>	<u>\$161,166</u>	<u>\$266,564</u>	<u>\$2,058,059</u>	<u>\$283,157</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending June 30,</u>			
2006	<u>\$60,000</u>	<u>\$6,540</u>	<u>\$66,540</u>
2007	<u>60,000</u>	<u>3,270</u>	<u>63,270</u>
Totals	<u>\$120,000</u>	<u>\$9,810</u>	<u>\$129,810</u>

8. LEASES

CAPITAL LEASES

The District entered into a capitalized lease for the acquisition of a phone system, vehicles, and stadium improvements. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments are made out of the General Fund.

The following is a description of the District's capital leases at year end:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
Capital Lease	4.20%	4/30/04	5/01/14	<u>\$1,241,791</u>	<u>\$ 0</u>	<u>\$140,488</u>	<u>\$1,101,303</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005:

2006	\$148,214
2007	148,214
2008	148,214
2009	148,214
2010	148,214
2011-2014	<u>592,856</u>
Total Payments	\$1,333,926
Less: Interest	<u>(232,623)</u>
Present Value of Minimum Lease Payments	<u>\$1,101,303</u>

Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

Phone System	\$69,837
Vehicles	34,740
Stadium Improvements	1,215,000

9. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$279,636, \$268,428, and

\$269,904 respectively; 49% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

STATE TEACHERS RETIREMENT SYSTEM

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$858,120, \$811,020, and \$823,932 respectively; 82% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

10. POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$61,294 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. For the District, this amount equaled \$68,511 for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

11. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the District as of June 30, 2005.

LITIGATION

The District's attorney estimates that any potential claims against the District not covered by insurance resulting from litigation would not materially affect the financial statements of the District.

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers. Settled claims have not exceeded commercial coverage in any of the past three years.

A summary of significant coverage follows:

Building Contents-replacement cost (\$1,000 deductible)	\$32,598,000
Inland Marine Coverage (\$50,000/500 deductible)	32,598,000
Boiler and Machinery (\$1,000 deductible)	32,598,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability Per Occurrence	1,000,000
 Total General Liability Aggregate Per Year	 5,000,000

Ohio Association of School Business Officials Workers' Compensation Group - The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. Each participant pays its workers' compensation premium to the Bureau of Workers' Compensation based on the rate for the GRP rather than its individual rate.

The firm of Sheakley Unicom, Inc. provides administrative, cost control and actuarial services to the GRP.

13. ACCOUNTABILITY

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Title I	\$3,261

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

14. FUND BALANCE RESERVES FOR SET-ASIDES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2004	(\$316,232)	\$ 0	\$53,055
Current Year Set-aside Requirement	200,791	200,791	0
Qualified Disbursements	(323,195)	(537,977)	0
Current Year Offsets	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>(\$438,636)</u>	<u>(\$337,186)</u>	<u>\$53,055</u>
Carry forward amount to future years	<u>(\$438,636)</u>		

Qualifying disbursements for capital activity during the year was \$537,977, exceeding the amount required for set-aside. Qualifying disbursements and carryover for textbooks totaled \$639,427, resulting in \$438,636 for carryover to offset textbook requirements in future years.

15. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2005, consisted of the following transfers in and transfers out:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$0	\$67,938
Other Governmental Funds	<u>67,938</u>	<u>0</u>
Total All Funds	<u>\$67,938</u>	<u>\$67,938</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 budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

16. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the District 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.

For 2005, the District has implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the General and Other Governmental Funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	Other Governmental <u>Funds</u>
Fund Balances, June 30, 2004	\$1,777,816	\$1,005,311
GASB Technical Bulletin No. 2004-2	<u>(79,606)</u>	<u>(12,330)</u>
Restated Fund Balance, June 30, 2004	<u>\$1,698,210</u>	<u>\$992,981</u>

17. JOINTLY GOVERNED ORGANIZATIONS

Hamilton/Clermont Cooperative Association - The School District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the H/CCA, Al Porter, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Deer Park City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$6,976,519	\$7,197,909	\$7,203,736	\$5,827
Tuition and Fees	92,748	95,692	95,769	77
Investment Earnings	72,104	74,392	74,452	60
Intergovernmental	4,184,435	4,317,222	4,320,717	3,495
Extracurricular Activities	17,960	18,530	18,545	15
Other Revenues	146,065	150,700	150,822	122
Total Revenues	11,489,831	11,854,445	11,864,041	9,596
Expenditures:				
Current:				
Instruction:				
Regular	5,694,603	5,835,640	5,835,529	111
Special	1,364,070	1,397,854	1,397,827	27
Vocational	164,798	168,879	168,876	3
Support Services:				
Pupil	793,812	813,473	813,457	16
Instructional Staff	657,575	673,861	673,848	13
General Administration	136,612	139,996	139,993	3
School Administration	1,175,063	1,204,166	1,204,143	23
Fiscal	414,771	425,043	425,035	8
Business	160,979	164,966	164,963	3
Operations and Maintenance	1,234,582	1,265,159	1,265,135	24
Pupil Transportation	251,011	257,228	257,223	5
Central	57,444	58,867	58,866	1
Extracurricular Activities	263,242	269,762	269,757	5
Debt Service:				
Principal Retirement	140,488	140,488	140,488	0
Interest and Fiscal Charges	44,928	49,521	49,517	4
Total Expenditures	12,553,978	12,864,903	12,864,657	246
Excess of Revenues Over (Under) Expenditures	(1,064,147)	(1,010,458)	(1,000,616)	9,842
Other financing sources (uses):				
Advances In	769	793	794	1
Transfers (Out)	(66,297)	(67,939)	(67,938)	1
Total Other Financing Sources (Uses)	(65,528)	(67,146)	(67,144)	2
Net Change in Fund Balance	(1,129,675)	(1,077,604)	(1,067,760)	9,844
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,450,023	1,450,023	1,450,023	0
Fund Balance End of Year	\$320,348	\$372,419	\$382,263	\$9,844

See accompanying notes to the required supplementary information.

DEER PARK CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2005

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 appropriations resolution and the certificate of estimated resources 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 that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. 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 fiscal year 2005.

The appropriation resolution is subject to amendment by the Board 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 Board during the year.

While the District 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 Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual 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 basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$128,707
Net Adjustment for Revenue Accruals	(1,098,281)
Net Adjustment for Expenditure Accruals	146,925
Encumbrances	<u>(245,111)</u>
 Budget Basis	 <u>(\$1,067,760)</u>

DEER PARK CITY SCHOOL DISTRICT

Yellow Book Reports

June 30, 2005



January 20, 2006

**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**

To the Board of Education
Deer Park City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deer Park City School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2005 in which we noted the District adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees*. 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 District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the District in a separate letter dated January 20, 2006.

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


Plattenburg & Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
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DEER PARK CITY SCHOOL DISTRICT

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 4, 2006**