

DEER PARK CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Education
Deer Park City School District
8688 Donna Ln.
Cincinnati, OH 45236

We have reviewed the Independent Auditor's Report of the Deer Park City School District, Hamilton County, prepared by Plattensburg & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. 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.

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BETTY MONTGOMERY
Auditor of State

May 11, 2005

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April 7, 2005

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Education:

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, 2004, 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 an opinion on these financial statements based on our audit.

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

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 Deer Park City School District, as of June 30, 2004, 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 described in the notes to the basic financial statements for the fiscal year ended June 30, 2004, the District reclassified activity formerly reported in the enterprise funds as a business-type activity to now be reported in the special revenue funds as a governmental activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis information and the budgetary information is not a required part of the basic financial statements but is supplementary information required by the 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 supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Robert J. Anderson". The signature is written in a cursive style with a large initial "R".

Plattenburg & Associates, Inc.

Certified Public Accountants

DEER PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004
(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, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999.

Financial Highlights

Key financial highlights for 2004 are as follows:

- Net assets of governmental activities decreased \$522,927 which represents a 12% decrease from 2003.
- General revenues accounted for \$11,685,806 in revenue or 92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$973,961 or 8% of total revenues of \$12,659,767.
- Total assets of governmental activities decreased by \$133,573 as taxes receivable increased by \$149,009 while cash and other receivables decreased by \$250,819.
- The District had \$13,212,694 in expenses related to governmental activities; only \$973,961 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,685,806 were adequate to provide for these programs.
- As the major fund, the General Fund had \$10,891,761 in revenues and \$11,893,374 in expenditures. The General Fund's fund balance decreased from \$2,917,420 to \$1,777,816.

Using this Basic Financial Statement Report

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.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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 2004?" The *Statement of Net Assets* and the *Statement of Activities* 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 Statement of Net Assets and the Statement of Activities, 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 and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the District's Most Significant Funds

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 2003 compared to 2004:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2003 Restated</u>	<u>2004</u>
Assets		
Current and Other Assets	\$10,357,286	\$10,258,280
Capital Assets	<u>3,219,108</u>	<u>3,184,541</u>
Total Assets	<u>13,576,394</u>	<u>13,442,821</u>
Liabilities		
Long-Term Liabilities	2,308,431	2,163,457
Other Liabilities	<u>6,477,987</u>	<u>7,042,315</u>
Total Liabilities	<u>8,786,418</u>	<u>9,205,772</u>
Net Assets		
Invested in Capital		
Assets Net of Debt	1,713,236	1,767,750
Restricted	820,248	1,066,070
Unrestricted	<u>2,256,492</u>	<u>1,403,229</u>
Total Net Assets	<u>\$4,789,976</u>	<u>\$4,237,049</u>

Total assets decreased \$133,573. Equity in pooled cash and cash equivalents decreased \$119,491. Taxes receivable increased \$149,009. Total liabilities increased \$419,354, resulting in a net asset decrease of \$522,927.

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

Table 2
Changes in Net Assets

	Governmental Activities <u>2003 Restated</u>	Governmental Activities <u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	\$551,758	\$488,788
Operating Grants	485,088	485,173
Capital Grants	22,553	0
General Revenue:		
Property Taxes	8,091,615	6,908,666
Grants and Entitlements	4,156,627	4,215,654
Other	<u>483,577</u>	<u>561,486</u>
Total Revenues	<u>13,791,218</u>	<u>12,659,767</u>
Program Expenses:		
Instruction	6,919,411	7,015,876
Support Services:		
Pupil and Instructional Staff	1,551,605	1,771,932
School and General Administration,		
Fiscal and Business	1,743,686	1,992,096
Operations and Maintenance	867,714	1,290,685
Pupil Transportation	280,065	215,837
Central	82,108	50,944
Operation of Non-Instructional Services	510,896	469,478
Extracurricular Activities	398,952	361,075
Interest and Fiscal Charges	<u>18,448</u>	<u>44,771</u>
Total Expenses	<u>12,372,885</u>	<u>13,212,694</u>
Increase (Decrease) in Net Assets		
Before Transfers	1,418,333	(552,927)
Transfers – Internal Activities	<u>3,000</u>	<u>0</u>
Increase (Decrease) in Net Assets	<u>1,421,333</u>	<u>(522,927)</u>
Beginning Net Assets	3,368,643	4,789,976
Ending Net Assets	<u>\$4,789,976</u>	<u>\$4,237,049</u>

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 89% 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 districts 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 55% of revenue for governmental activities for the District in fiscal year 2004.

Instruction comprises 53% of governmental program expenses. Support services expenses were 40% 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 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	
	<u>2003 Restated</u>	<u>2004</u>	<u>2003 Restated</u>	<u>2004</u>
Instruction	\$6,919,411	\$7,015,876	\$6,717,686	\$6,732,877
Support Services:				
Pupil and Instructional Staff	1,551,605	1,771,932	1,373,158	1,566,897
School and General Administration,				
Fiscal and Business	1,743,686	1,992,096	1,742,399	1,990,070
Operations and Maintenance	867,714	1,290,685	831,651	1,263,277
Pupil Transportation	280,065	215,837	280,065	215,837
Central	82,108	50,944	75,705	42,379
Operation of Non-Instructional Services	510,896	469,478	(40,731)	61,194
Extracurricular Activities	398,952	361,075	315,105	321,431
Interest and Fiscal Charges	<u>18,448</u>	<u>44,771</u>	<u>18,448</u>	<u>44,771</u>
Total Expenses	<u>\$12,372,885</u>	<u>\$13,212,694</u>	<u>\$11,313,486</u>	<u>\$12,238,733</u>

The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$12,453,173 and expenditures and other financing uses of \$13,425,388. The net change in fund balance for the year was (\$972,215).

The general fund balance decreased \$1,139,604 due to a decrease in tax revenue.

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 2004, 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 \$11.73 million, compared to original budget estimates of \$11.89 million. Of this \$.16 million difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$1,213,538 at fiscal year end.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$3,184,541 invested in land, buildings, and equipment. Table 4 shows fiscal 2004 balances compared to fiscal 2003:

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

	<u>Governmental Activities</u>	
	<u>2003 Restated</u>	<u>2004</u>
Land and Improvements	\$330,425	\$330,425
Buildings and Improvements	2,231,715	2,187,779
Equipment	<u>656,968</u>	<u>666,337</u>
Total Net Assets	<u>\$3,219,108</u>	<u>\$3,184,541</u>

The decrease in capital assets is due to depreciation expense being larger than additions for the fiscal year. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2004, the District had \$1,416,791 in bonds and capital leases payable, \$188,127 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2004</u>
Total:		
General Obligation Bonds:		
School Energy Conservation Bonds	<u>\$225,000</u>	<u>\$175,000</u>
Capital Leases Payable		
Phone System	54,007	40,597
Vehicles	26,865	20,194
Stadium Improvements	<u>1,200,000</u>	<u>1,181,000</u>
Subtotal Capital Leases Payable	<u>1,280,872</u>	<u>1,241,791</u>
Total Outstanding Debt at Year End	<u>\$1,505,872</u>	<u>\$1,416,791</u>

For more detailed information concerning capital assets and debt see the notes to the basic financial statements.

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.

In addition, the District's system of budgeting and internal controls is well regarded. 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, 2004

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$2,438,539
Restricted Cash and Investments	53,055
Receivables:	
Taxes	7,713,103
Accounts	1,195
Interest	4,252
Intergovernmental	38,227
Inventory	9,909
Nondepreciable Capital Assets	330,425
Depreciable Capital Assets, Net	2,854,116
Total Assets	13,442,821
Liabilities:	
Accounts Payable	77,172
Accrued Wages and Benefits	1,353,641
Accrued Interest Payable	2,384
Deferred Revenue	5,609,118
Long-Term Liabilities:	
Due Within One Year	259,203
Due In More Than One Year	1,904,254
Total Liabilities	9,205,772
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,767,750
Restricted for:	
Special Revenue	361,396
Debt Service	15,806
Capital Projects	635,813
Set-Aside	53,055
Unrestricted	1,403,229
Total Net Assets	\$4,237,049

See accompanying notes to the basic financial statements.

Deer Park City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	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	\$5,697,700	\$93,465	\$138,085	(\$5,466,150)
Special	1,164,255	6,551	44,898	(1,112,806)
Vocational	153,561	0	0	(153,561)
Other	360	0	0	(360)
Support Services:				
Pupil	820,937	0	44,306	(776,631)
Instructional Staff	950,995	5,151	155,578	(790,266)
General Administration	107,607	0	0	(107,607)
School Administration	1,204,017	0	0	(1,204,017)
Fiscal	451,104	139	0	(450,965)
Business	229,368	0	1,887	(227,481)
Operations and Maintenance	1,290,685	27,408	0	(1,263,277)
Pupil Transportation	215,837	0	0	(215,837)
Central	50,944	443	8,122	(42,379)
Operation of Non-Instructional Services	469,478	315,987	92,297	(61,194)
Extracurricular Activities	361,075	39,644	0	(321,431)
Interest and Fiscal Charges	44,771	0	0	(44,771)
Total Governmental Activities	13,212,694	488,788	485,173	(12,238,733)

General Revenues:

Property Taxes Levied for:	
General Purposes	6,697,638
Capital Projects Purposes	211,028
Grants and Entitlements not Restricted	4,215,654
Payment in Lieu of Taxes	65,864
Unrestricted Contributions	60,519
Investment Earnings	62,944
Refunds and Reimbursements	285
Other Revenues	371,874
Total General Revenues and Transfers	11,685,806
Change in Net Assets	(552,927)
Net Assets Beginning of Year, Restated	4,789,976
Net Assets End of Year	\$4,237,049

See accompanying notes to the basic financial statements.

Deer Park City School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,413,511	\$1,025,028	\$2,438,539
Restricted Cash and Investments	53,055	0	53,055
Receivables:			
Taxes	7,474,399	238,704	7,713,103
Accounts	1,195	0	1,195
Interest	4,230	22	4,252
Intergovernmental	6,644	31,583	38,227
Interfund	794	0	794
Inventory	0	9,909	9,909
Total Assets	8,953,828	1,305,246	10,259,074
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	61,312	15,860	77,172
Accrued Wages and Benefits	1,192,912	68,794	1,261,706
Compensated Absences	80,340	0	80,340
Interfund Payable	0	794	794
Deferred Revenue	5,841,448	214,487	6,055,935
Total Liabilities	7,176,012	299,935	7,475,947
Fund Balances:			
Reserved for Encumbrances	175,173	28,789	203,962
Reserved for Inventory	0	9,909	9,909
Reserved for Property Tax Advances	1,633,700	55,800	1,689,500
Reserved for Set-Aside	53,055	0	53,055
Unreserved, Undesignated, Reported in:			
General Fund	(84,112)	0	(84,112)
Special Revenue Funds	0	325,767	325,767
Debt Service Funds	0	18,190	18,190
Capital Projects Funds	0	566,856	566,856
Total Fund Balances	1,777,816	1,005,311	2,783,127
Total Liabilities and Fund Balances	\$8,953,828	\$1,305,246	\$10,259,074

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, 2004

Total Governmental Fund Balance		\$2,783,127
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.		3,184,541
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	415,234	
Intergovernmental	<u>31,583</u>	
		446,817
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.		(2,384)
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.		
Pension Obligation	(91,935)	
Compensated Absences	<u>(666,326)</u>	
		(758,261)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,416,791)</u>
Net Assets of Governmental Activities		<u>\$4,237,049</u>

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, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$6,295,561	\$197,871	\$6,493,432
Tuition and Fees	85,950	0	85,950
Investment Earnings	62,204	740	62,944
Intergovernmental	4,327,128	745,197	5,072,325
Extracurricular Activities	16,875	102,338	119,213
Charges for Services	0	315,987	315,987
Other Revenues	104,043	61,288	165,331
Total Revenues	10,891,761	1,423,421	12,315,182
Expenditures:			
Current:			
Instruction:			
Regular	5,533,418	104,761	5,638,179
Special	1,125,250	31,076	1,156,326
Vocational	153,080	0	153,080
Other	0	360	360
Support Services:			
Pupil	776,292	38,546	814,838
Instructional Staff	681,781	243,232	925,013
General Administration	107,607	0	107,607
School Administration	1,140,788	0	1,140,788
Fiscal	408,238	3,111	411,349
Business	227,444	30,151	257,595
Operations and Maintenance	1,193,171	154,125	1,347,296
Pupil Transportation	235,686	0	235,686
Central	46,672	2,381	49,053
Operation of Non-Instructional Services	0	461,609	461,609
Extracurricular Activities	263,947	115,010	378,957
Capital Outlay	0	73,833	73,833
Debt Service:			
Principal Retirement	0	89,081	89,081
Interest and Fiscal Charges	0	46,747	46,747
Total Expenditures	11,893,374	1,394,023	13,287,397
Excess of Revenues Over (Under) Expenditures	(1,001,613)	29,398	(972,215)
Other Financing Sources (Uses):			
Transfers In	0	137,991	137,991
Transfers (Out)	(137,991)	0	(137,991)
Total Other Financing Sources (Uses)	(137,991)	137,991	0
Net Change in Fund Balance	(1,139,604)	167,389	(972,215)
Fund Balance Beginning of Year	2,917,420	837,922	3,755,342
Fund Balance End of Year	\$1,777,816	\$1,005,311	\$2,783,127

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, 2004

Net Change in Fund Balance - Total Governmental Funds (\$972,215)

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	152,943	
Depreciation Expense	<u>(187,510)</u>	(34,567)

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

Delinquent Property Taxes	415,234	
Intergovernmental	<u>(70,649)</u>	344,585

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 89,081

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 1,976

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.

Pension Obligation	(30,156)	
Compensated Absences	<u>48,369</u>	18,213

Change in Net Assets of Governmental Activities (\$552,927)

See accompanying notes to the basic financial statements.

Deer Park City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Investments	\$40,050	\$16,287
Total Assets	<u>40,050</u>	<u>\$16,287</u>
Liabilities:		
Other Liabilities	0	16,287
Total Liabilities	<u>0</u>	<u>\$16,287</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 Funds
For the Fiscal Year Ended June 30, 2004

	<u>Private Purpose Trust Fund</u>
Additions:	
Donations	<u>\$0</u>
Total Additions	<u>0</u>
Deductions:	
Regular	<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.

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DEER PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

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 74 non-certificated personnel and 115 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 19th 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.

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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

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 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.

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 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, 2004, but which were levied to finance fiscal year 2005 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.

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.

CASH AND CASH EQUIVALENTS

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. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agent". The account on the combined balance sheet "Cash with fiscal and escrow agents" represents deposits used to pay arbitrage liability.

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 2004. 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, 2004.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2004 amounted to \$62,944.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

For purposes of the statement of cash flows, the Enterprise Funds' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

INVENTORY

Inventories are presented at cost on a first in, first out basis and are expensed/expensed when used. Inventory consists of food held for resale and consumable supplies.

CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed 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.

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.

INTERFUND BALANCES

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

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 cash and cash equivalents 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, inventory, 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. CASH AND CASH EQUIVALENTS

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) Repurchase agreements in the securities enumerated above.
- (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.

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 – At the year end, the carrying amount of the District's deposits was \$2,503,595. The bank balance of deposits was \$2,835,755 of which \$200,000 was covered by federal depository insurance. The remaining balance of \$2,303,593 was covered by 105% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
State Treasury Pool*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$44,336</u>
Total Investments	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$44,336</u>

*The District's Investment in the Ohio State Treasury Pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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.

4. PROPERTY TAXES

Real property taxes collected in 2004 were levied in April on the assessed values as of January 1, 2003, 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). In 2004, 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 2004, 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, 2004. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2004. 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, 2004, was \$1,633,700 for General Fund and \$55,800 for Capital Projects Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2004 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 2004 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$200,114,960
Public Utility Personal	10,099,050
Tangible Personal Property	<u>7,348,510</u>
Total	<u>\$217,562,520</u>

5. RECEIVABLES

Receivables at June 30, 2004, 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, 2004, was as follows:

	Restated Beginning Balance	Additions	Deductions	Ending Balance
Government Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$330,425	\$0	\$0	\$330,425
Total Capital Assets, not being depreciated	<u>330,425</u>	<u>0</u>	<u>0</u>	<u>330,425</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	26,979,087	62,360	0	27,041,447
Equipment	1,428,534	90,583	14,687	1,504,430
<i>Total Capital Assets, being depreciated</i>	<u>28,407,621</u>	<u>152,943</u>	<u>14,687</u>	<u>28,545,877</u>
Totals at Historical Cost	<u>\$28,738,046</u>	<u>\$152,943</u>	<u>\$14,687</u>	<u>\$28,876,302</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$24,747,372	\$106,296	\$0	\$24,853,668
Equipment	771,556	81,214	14,687	838,093
Total Accumulated Depreciation	<u>\$25,518,938</u>	<u>\$187,510</u>	<u>\$14,687</u>	<u>\$25,691,761</u>
Governmental Activities Capital Assets, Net	<u>\$3,219,108</u>	<u>(\$34,567)</u>	<u>\$0</u>	<u>\$3,184,541</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$98,343
Special	4,039
Support Services:	
Pupil	1,463
Instructional Staff	26,906
School Administration	5,771
Business	722
Operations and Maintenance	24,082
Pupil Transportation	11,947
Central	1,745
Operation of Non-Instructional Activities	8,249
Extracurricular Activities	4,243
Total Depreciation Expense	<u>\$187,510</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>\$225,000</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$175,000</u>	<u>\$55,000</u>
Total General Obligation Bonds		225,000	0	50,000	175,000	55,000
Compensated Absences		802,559	19,416	75,309	746,666	71,076
Capital Leases		<u>1,280,872</u>	<u>0</u>	<u>39,081</u>	<u>1,241,791</u>	<u>133,127</u>
Total Governmental Activities Long-Term Liabilities		<u>\$2,308,431</u>	<u>\$19,416</u>	<u>\$164,390</u>	<u>\$2,163,457</u>	<u>\$259,203</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 capital projects fund.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$55,000	\$9,538	\$64,538
2006	60,000	6,540	66,540
2007	<u>60,000</u>	<u>3,270</u>	<u>63,270</u>
Totals	<u>\$175,000</u>	<u>\$19,348</u>	<u>\$194,348</u>

8. LEASES

CAPITAL LEASES

The District entered into capitalized leases for the acquisition of a phone system, vehicles, and stadium improvements. Each 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 Capital Projects 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>
Phone System	5.10%	03/01/02	03/01/07	\$54,007	\$0	\$13,410	\$40,597
Vehicles	5.10%	03/01/02	03/01/07	26,865	0	6,671	20,194
Stadium Improvements (3.53-4.90%)	Various	4/26/02	06/26/13	1,200,000	0	19,000	1,181,000
Total				<u>\$1,280,872</u>	<u>\$ 0</u>	<u>\$39,081</u>	<u>\$1,241,791</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, 2004:

2005	\$191,417
2006	191,451
2007	186,970
2008	168,114
2009	167,507
2010-2013	<u>654,083</u>
Total Payments	\$1,559,542
Less: Interest	<u>(317,751)</u>
Present Value of Minimum Lease Payments	<u>\$1,241,791</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, 2004, 2003, and 2002 were \$268,428, \$269,904, and \$249,720 respectively; 49% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

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, 2004, 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, 2004, 2003, and 2002 were \$811,020, \$823,932, and \$799,884 respectively; 84% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

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.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund for which payments for health care benefits are paid. For the District, this amount equaled \$57,930 during the 2004 fiscal year. As of June 30, 2004, eligible benefit recipients totaled 111,853. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,700,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based upon years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For 2004 fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$24,500. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$94,141 during the 2004 fiscal year. The number of participants currently receiving health care benefits is approximately 62,000. For the fiscal year ended June 30, 2004, net health care costs paid by SERS were \$223,443,805.

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 of the individual fund types included herein or on the overall financial position of the District as of June 30, 2004.

LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other 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 (\$5,000 deductible)	\$24,044,700
Inland Marine Coverage (\$5,000/100 deductible)	24,044,700
Boiler and Machinery (\$1,000 deductible)	15,487,400
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$250 deductible)	2,000,000
General Liability Per Occurrence	2,000,000
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. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of OSBA, or his designee, serves as coordinator of the program. 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. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

The firm of Gates McDonald and Company, Inc. provides administrative, cost control and actuarial services to the GRP.

13. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”. The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

14. COMPLIANCE AND 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	\$2,943
Drug-Free Schools	794

15. 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, 2003	\$195,768	\$ 0	\$53,055
Current Year Set-aside Requirement	195,930	195,930	0
Qualified Disbursements	(316,394)	(195,930)	0
Current Year Offsets	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$53,055</u>
Carry forward amount to future years	<u>\$316,232</u>		

Qualifying disbursements for capital activity during the year was \$480,983, exceeding the amount required for set-aside. Qualifying disbursements and carryover for textbooks totaled \$512,162, resulting in \$316,232 for carryover to offset textbook requirements in future years.

16. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2004, consisted of the following individual fund receivables and payables:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	<u>\$794</u>	<u>\$0</u>	<u>\$0</u>	<u>\$137,991</u>
Nonmajor Funds:				
Drug-Free Schools	0	794	0	0
Debt Service Fund	0	0	62,263	0
Permanent Improvement	<u>0</u>	<u>0</u>	<u>75,728</u>	<u>0</u>
Total Nonmajor Funds	<u>0</u>	<u>794</u>	<u>137,991</u>	<u>0</u>
Total All Funds	<u>\$794</u>	<u>\$794</u>	<u>\$137,991</u>	<u>\$137,991</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.

17. PRIOR PERIOD ADJUSTMENT

The beginning net asset/fund balances of other governmental funds, enterprise and governmental activities have been adjusted for correction to the capital assets detail (accumulated depreciation) and the reclassification of enterprise funds as follows:

	Other Governmental <u>Funds</u>	<u>Enterprise</u>	Governmental <u>Activities</u>
June 30, 2003 Fund Balance/ Net Assets, as previously stated	\$778,260	\$87,528	\$29,678,782
Fund Reclassification	59,662	(87,528)	87,528
Net Capital Assets	<u>0</u>	<u>0</u>	<u>(24,976,334)</u>
June 30, 2003 Fund Balance/ Net Assets, as restated	<u>\$837,922</u>	<u>\$0</u>	<u>\$4,789,976</u>

**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, 2004

	General Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$7,203,319	\$7,105,461	\$7,105,461	\$0
Tuition and Fees	94,793	93,505	93,505	0
Investment Earnings	70,437	69,480	69,480	0
Intergovernmental	4,404,654	4,344,816	4,344,816	0
Extracurricular Activities	17,107	16,875	16,875	0
Other Revenues	103,883	102,472	102,472	0
Total Revenues	11,894,193	11,732,609	11,732,609	0
Expenditures:				
Current:				
Instruction:				
Regular	5,622,266	5,546,188	5,546,188	0
Special	1,258,248	1,241,222	1,241,222	0
Vocational	158,592	156,446	156,446	0
Support Services:				
Pupil	796,975	786,191	786,191	0
Instructional Staff	704,984	695,444	695,444	0
General Administration	117,963	116,367	116,367	0
School Administration	1,151,928	1,136,341	1,136,341	0
Fiscal	418,619	412,954	412,954	0
Business	222,773	219,759	219,759	0
Operations and Maintenance	1,273,777	1,256,541	1,256,541	0
Pupil Transportation	258,964	255,460	255,460	0
Central	55,563	54,811	54,811	0
Extracurricular Activities	267,424	263,805	263,805	0
Total Expenditures	12,308,076	12,141,529	12,141,529	0
Excess of Revenues Over (Under) Expenditures	(413,883)	(408,920)	(408,920)	0
Other financing sources (uses):				
Advances In	22,986	22,674	22,674	0
Advances (Out)	(805)	(794)	(794)	0
Transfers (Out)	(139,884)	(137,991)	(137,991)	0
Total Other Financing Sources (Uses)	(117,703)	(116,111)	(116,111)	0
Net Change in Fund Balance	(531,586)	(525,031)	(525,031)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,738,569	1,738,569	1,738,569	0
Fund Balance End of Year	\$1,206,983	\$1,213,538	\$1,213,538	\$0

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, 2004

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 2004.

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	(\$1,139,604)
Net Adjustment for Revenue Accruals	863,522
Net Adjustment for Expenditure Accruals	(12,464)
Encumbrances	<u>(236,485)</u>
Budget Basis	<u>(\$525,031)</u>



**Report on compliance and on internal control over financial reporting
based on an audit of financial statements performed in accordance with
*Government Auditing Standards***

April 7, 2005

To the Board of Education:

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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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 opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic 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.

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

A handwritten signature in black ink, appearing to read "Robert A. Plattenburg, Inc.", written in a cursive style.

Plattenburg & Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

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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 24, 2005**