

Dear Park Community City School District



**Deer Park
Community
City Schools**

Basic Financial Statements

June 30, 2016



Dave Yost • Auditor of State

Board of Education
Deer Park Community City School District
4131 Matson Avenue
Cincinnati, Ohio 45236

We have reviewed the Independent Auditor's Report of the Deer Park Community City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Ohio Rev. Code § 3313.46(A) states, in part, that when any such board determines to build, repair, enlarge, improve or demolish any school building, the cost of which will exceed fifty thousand dollars, except in cases of urgent necessity, or for the security and protection of school property, and except as otherwise provided in division (D) of section 713.23 and in section 125.04 of the Revised Code, all of the following shall apply:

- (1) The board shall cause to be prepared the plans, specifications, and related information as required in divisions (A)(1), (2), and (3) of section 153.01 of the Revised Code unless the board determines that other information is sufficient to inform any bidders of the board's requirements.
- (2) The board shall advertise for bids once each week for a period of not less than two consecutive weeks, or as provided in section 7.16 of the Revised Code, in a newspaper of general circulation in the district before the date specified by the board of receiving bids.

The District paid \$57,299 to Jim Davis & Sons Flooring for the replacement of flooring at Amity Elementary School. The District received separate proposals for various aspects of the replacement, but the replacement was only performed at one school building. Since the cost of the replacement occurred at one school building and exceeded fifty thousand dollars, the board should have prepared plans and specifications for the replacement of the flooring at Amity Elementary School and advertised for bids in accordance with the Ohio Revised Code. Failure to competitively bid repairs could result in the District paying more for projects than necessary.

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Board of Education Policies 3440 - Job Related Expenses, 3440A - Job Related Expenses, and 6550 - Travel Payment & Reimbursement all state that employees are expected to exercise the same care incurring travel expenses that a prudent person would exercise if traveling on personal business and expending personal funds. There were meals purchased at Eddie Merlot's at a cost of \$168.83 for two guests, Lindey's at a cost of \$244.25 for six guests, and Hyde Park Prime Steakhouse at a cost of \$304.24 for four guests. A resource for determining reasonable travel expenses is the U.S. General Services Administration (GSA) website.

Board of Education Policy 3440A - Job Related Expenses states that each request for travel or conference funds should detail the reasons for the expenditures and should be not labeled in board general terms. The Superintendent labeled his meal receipts with the general notation of "Business Meeting". Some meal receipts were only supported by the credit card receipt and did not include the detail of the meals.

The Board of Education policies state that travel and claims expenses should be approved by the Superintendent. The policies do not state who reviews and approves the Superintendent's travel and claims expenses.

Board of Education Policy 6550 - Travel Payment & Reimbursement states that payment and reimbursement rates for per diem meals, lodging, and mileage shall be approved by the Board annually. The Board does not approve the payment and reimbursement rates on an annual basis.

Board of Education Guidelines attached to the Use of Credit Cards Policy 6423 states that employees shall inform merchants that the purchase is for "official School District business" and is not subject to State and local sales tax. The District paid sales tax on meals and a couple other purchases of goods.

Failure to follow the established travel policies can result in lack of accountability for expenditures and the District paying for items that may have been excessive or unnecessary.

We recommend the District follow the Board's intentions and only process payment of travel related expenses that are properly supported, for a District-related purpose and in accordance with District policies. Detailed receipts should be accompanied by the credit card receipts to assure that alcoholic beverages are not being purchased with taxpayer monies. We also recommend that the Board of Education approve per diem meals, lodging, and mileage rates annually. The District should consider establishing maximum rates for in-state and out-of-state lodging based on the rates established by the GSA. Employees should be made aware that while conducting school business, the purchase is not subject to State and local sales tax. We also

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recommend that the Board of Education review and approve the Superintendent's travel and claims expenses or designate an individual to do so.

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 Community City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 16, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Deer Park Community City School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Deer Park Community City School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules and schedules of net pension liabilities and pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
March 24, 2017

**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

The discussion and analysis of Deer Park Community City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- Net position of governmental activities increased \$736,538 which represents a 25% increase from 2015.
- General revenues accounted for \$15,662,731 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,134,223 or 12% of total revenues of \$17,756,954.
- The District had \$17,020,416 in expenses related to governmental activities; \$2,134,223 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$15,622,731 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 Position* 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 and Permanent Improvement Fund are the major funds 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 2016?" 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.

**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

These two statements report the District's *net position* and changes in those assets. This change in net position 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 funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. 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 Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District as a Whole

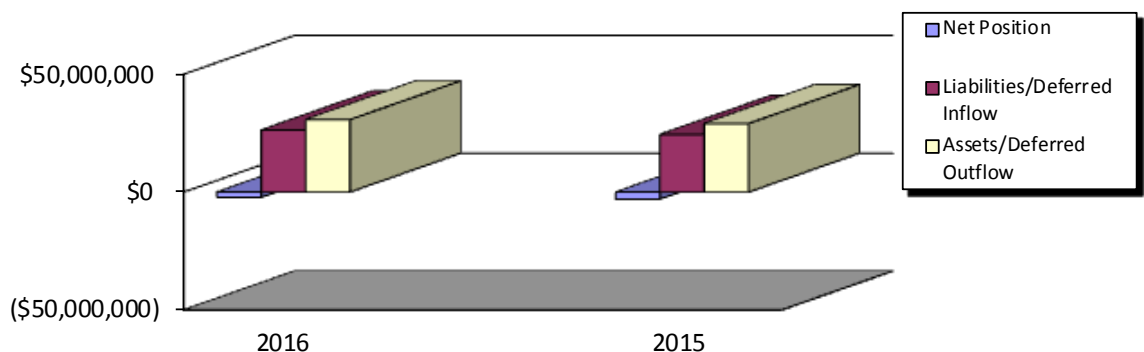
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2016 compared to 2015:

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**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2016	2015
Assets:		
Current and Other Assets	\$22,749,431	\$23,340,076
Capital Assets	7,980,243	5,753,587
Total Assets	30,729,674	29,093,663
Deferred Outflows of Resources:		
Pension	3,535,292	1,327,333
Total Deferred Outflows of Resources	3,535,292	1,327,333
Liabilities:		
Other Liabilities	1,524,036	2,498,376
Long-Term Liabilities	24,827,089	21,938,515
Total Liabilities	26,351,125	24,436,891
Deferred Inflows of Resources:		
Property Taxes	7,092,789	5,219,761
Grants and Other Taxes	634,495	630,000
Pension	2,410,487	3,094,812
Total Deferred Inflows of Resources	10,137,771	8,944,573
Net Position:		
Net Investment in Capital Assets	4,014,077	1,668,404
Restricted	1,449,369	3,464,779
Unrestricted	(7,687,376)	(8,093,651)
Total Net Position	(\$2,223,930)	(\$2,960,468)



**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets exceeded liabilities by \$(2,223,930).

At year-end, capital assets represented 26% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2016, were \$4,014,077. 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 position, \$1,449,369 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and other assets decreased due to a decrease in cash and investments. Long-term liabilities increased mainly due to an increase in Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2016 and 2015.

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**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

**Table 2
Changes in Net Position**

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues		
Charges for Services	\$470,399	\$501,855
Operating Grants, Contributions	1,663,824	1,754,808
General Revenues:		
Property Taxes	9,838,393	10,502,624
Grants and Entitlements	4,401,525	4,388,458
Other	1,382,813	883,427
Total Revenues	<u>17,756,954</u>	<u>18,031,172</u>
Program Expenses:		
Instruction	9,873,870	9,074,603
Support Services:		
Pupil and Instructional Staff	1,757,723	1,593,652
School Administrative, General Administration, Fiscal and Business	1,976,815	1,861,309
Operations and Maintenance	1,474,118	1,267,670
Pupil Transportation	412,505	359,672
Central	151,182	160,720
Operation of Non-Instructional Services	416,133	541,002
Extracurricular Activities	826,456	580,259
Interest and Fiscal Charges	131,614	41,210
Bond Issuance Cost	0	114,149
Total Program Expenses	<u>17,020,416</u>	<u>15,594,246</u>
Change in Net Position	736,538	2,436,926
Beginning Net Position	<u>(2,960,468)</u>	<u>(5,397,394)</u>
Ending Net Position	<u><u>(\$2,223,930)</u></u>	<u><u>(\$2,960,468)</u></u>

The District revenues are mainly from two sources. Property taxes levied for general and capital projects purposes and grants and entitlements comprised 80% of the District's revenues for governmental activities.

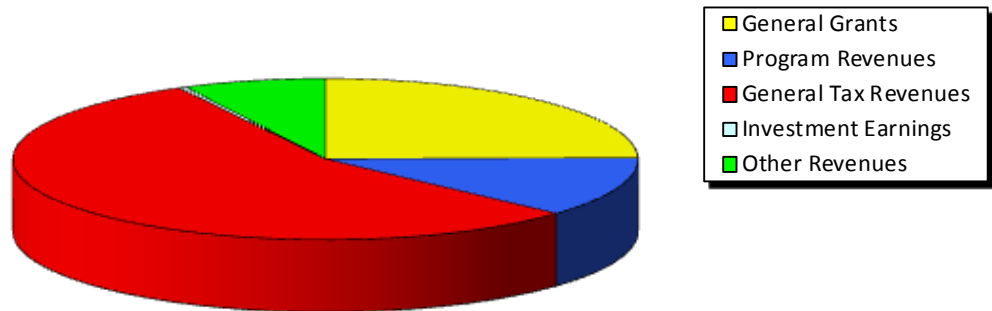
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner 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.

**Deer Park Community City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and 55% of revenue for governmental activities for the District in fiscal year 2016.

**Governmental Activities
Revenue Sources**

		<u>Percentage</u>
General Grants	\$4,401,525	24.79%
Program Revenues	2,134,223	12.02%
General Tax Revenues	9,838,393	55.41%
Investment Earnings	68,650	0.38%
Other Revenues	<u>1,314,163</u>	<u>7.40%</u>
Total Revenue Sources	<u>\$17,756,954</u>	<u>100.00%</u>



Instruction comprises 58% of governmental program expenses. Support services expenses were 34% of governmental program expenses. All other expenses including interest expense were 8%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Revenue decreased by 1.5% from 2015 to 2016. The decrease was mainly due to a decrease in program revenues and property tax revenues. Instruction expenses increased from 2015 to 2016 because of general inflationary factors.

Governmental Activities

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.

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**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$9,873,870	\$9,074,603	(\$8,702,807)	(\$7,745,828)
Support Services:				
Pupil and Instructional Staff	1,757,723	1,593,652	(1,574,103)	(1,394,007)
School Administrative, General				
Administration, Fiscal and Business	1,976,815	1,861,309	(1,934,135)	(1,837,787)
Operations and Maintenance	1,474,118	1,267,670	(1,450,670)	(1,246,059)
Pupil Transportation	412,505	359,672	(359,605)	(319,376)
Central	151,182	160,720	(151,182)	(160,720)
Operation of Non-Instructional Services	416,133	541,002	138,108	1,806
Extracurricular Activities	826,456	580,259	(720,185)	(480,253)
Interest and Fiscal Charges	131,614	41,210	(131,614)	(41,210)
Bond Issuance Cost	0	114,149	0	(114,149)
Total Expenses	<u>\$17,020,416</u>	<u>\$15,594,246</u>	<u>(\$14,886,193)</u>	<u>(\$13,337,583)</u>

The District's Funds

The District has two major governmental funds: the General Fund, and the Permanent Improvement Fund. Assets of the general fund comprised \$20,831,092 (91%) and assets of the permanent improvement fund comprised \$1,396,690 (6%) of the total \$22,812,940 governmental funds' assets.

General Fund: Fund balance at June 30, 2016 was \$11,740,990, an increase in fund balance of \$522,682 from 2015. The primary reason for the increase in fund balance was due to the increase in property tax revenues.

Permanent Improvement Fund: Fund balance at June 30, 2016 was \$942,889, a decrease in fund balance of \$2,074,893 from 2015. The primary reason for the decrease in fund balance was due to new debt being issued in 2015 and none being issued in 2016.

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 2016, the District amended its general fund budget. 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, final budget basis revenue was \$15,657,667, compared to original budget estimates of \$15,576,491. Of the \$81,176 difference, most was due to an under estimate for taxes and intergovernmental revenue.

**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

The District's general fund ending unobligated cash balance was \$9,374,607 at fiscal year end.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2016, the District had \$7,980,243 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2016 balances compared to fiscal 2015:

**Table 4
Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities	
	2016	2015
Land	\$380,425	\$330,425
Construction in Progress	0	1,859,670
Buildings and Improvements	6,929,802	3,063,169
Equipment	670,016	500,323
Total Net Capital Assets	<u>\$7,980,243</u>	<u>\$5,753,587</u>

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

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

Debt

At June 30, 2016, the District had \$3,966,166 in bonds payable, \$120,319 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2016	2015
2013 Energy Conservation Improvement HB 264 Bonds	\$400,781	\$440,130
2015 Certificates of Participation	3,575,000	3,655,000
Discount on 2015 COPs	(9,615)	(9,947)
Total Outstanding Debt at Year End	<u>\$3,966,166</u>	<u>\$4,085,183</u>

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

**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

For the Future

The Ohio Department of Education explains the school funding model in Ohio as follows:

The funding of K-12 public schools in Ohio is a joint effort between the state and local school districts. Since the 1970s through FY 2009, with the exception of a few years, Ohio's funding formula was foundation based by means of which a per pupil amount determined by the General Assembly as the per-pupil resource for provision of a basic adequate education was multiplied by the number of pupils to determine the base funding of the school districts. From this product, the local share of the basic adequate amount or the charge off was subtracted to arrive at the state share of the base funding. Additional funding was also provided for services targeted to categories of pupils such as handicapped, vocational, gifted, and economically disadvantaged as well as some adjustments and funding guarantees. The 2010-11 biennial budget (Am. Sub. H.B. 1 of the 128th General Assembly), established a new funding formula called the Evidence-Based Model (EBM). Am. Sub. H.B. 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula for the 2012-13 biennial budget as a new school funding formula is developed. The temporary formula was called the Bridge formula.

HB59 was enacted in June 2013 and with it came a new school funding formula. Aid through the new formula is generated through nine key areas. Opportunity Grant dollars are a base aid amount. Targeted Assistance funds provide additional aid based on the relative wealth of the local area. Categorical funding dollars are provided for Special Education, LEP, Economically Disadvantaged, Gifted, and Career Tech. In addition, funding has been added for K-3 Literacy (to help with the 3rd Grade Reading Guarantee) and Transportation. In an attempt to smooth the transition from the BRIDGE to the new formula, foundation funding to districts is subject to caps and guarantees. To prevent districts from receiving less than their foundation funding from the prior year, the state gives the district Transitional Aid (guarantee) money to fill the gap. At the same time, districts are capped at receiving no more than a 6.25% increase in their state funding for FY14. This balancing act minimizes huge spikes and drastic losses in funding in the first two years of the formula, but also results in unpredictable state revenue from biennium to biennium. In FY14 the District was on the cap, in FY15 the District was on the formula, and in FY16 the District was on the guarantee.

The District remains concerned about the instability of the national, state, and local economies as well as the political ramifications of fully implementing the new funding model since the District fluctuates between the cap, formula, and guarantee, enrollment figures are extremely important to projecting state revenue.

Management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. 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. The passage of a new operating/permanent improvement levy in November 2013 further secured the District's financial outlook. In addition, the District received its first credit rating in recent history. The stability of the surrounding community, as well as the positive cash balances on the financial forecast resulted in a very strong issuer credit rating of AA- from S&P.

**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

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 the Treasurer at Deer Park Community City School District, 4131 Matson Ave, Cincinnati, Ohio 45236.

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Deer Park Community City School District
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$10,848,628
Restricted Cash and Investments	50,000
Receivables (Net):	
Taxes	10,963,657
Accounts	15,319
Interest	2,218
Intergovernmental	852,573
Prepays	5,707
Inventory	11,329
Nondepreciable Capital Assets	380,425
Depreciable Capital Assets, Net	<u>7,599,818</u>
 Total Assets	 <u>30,729,674</u>
Deferred Outflows of Resources:	
Pension	<u>3,535,292</u>
 Total Deferred Outflows of Resources	 <u>3,535,292</u>
Liabilities:	
Accounts Payable	105,322
Accrued Wages and Benefits	1,405,379
Accrued Interest Payable	13,335
Long-Term Liabilities:	
Due Within One Year	263,247
Due In More Than One Year:	
Net Pension Liability	20,182,681
Other Amounts	<u>4,381,161</u>
 Total Liabilities	 <u>26,351,125</u>
Deferred Inflows of Resources:	
Property Taxes	7,092,789
Grants and Other Taxes	634,495
Pension	<u>2,410,487</u>
 Total Deferred Inflows of Resources	 <u>10,137,771</u>
Net Position:	
Net Investment in Capital Assets	4,014,077
Restricted for:	
Debt Service	18,215
Capital Projects	962,993
Local Grants	4,470
Food Service	188,668
District Managed Student Activities	5,258
State Grants	199,874
Federal Grants	63,136
Other Purposes	6,755
Unrestricted	<u>(7,687,376)</u>
 Total Net Position	 <u><u>(\$2,223,930)</u></u>

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$7,179,361	\$91,346	\$22,293	(\$7,065,722)
Special	2,551,353	86,495	960,148	(1,504,710)
Vocational	143,156	0	10,781	(132,375)
Support Services:				
Pupil	784,010	0	24,164	(759,846)
Instructional Staff	973,713	0	159,456	(814,257)
General Administration	97,449	0	4,200	(93,249)
School Administration	1,364,391	0	38,480	(1,325,911)
Fiscal	442,410	0	0	(442,410)
Business	72,565	0	0	(72,565)
Operations and Maintenance	1,474,118	23,448	0	(1,450,670)
Pupil Transportation	412,505	0	52,900	(359,605)
Central	151,182	0	0	(151,182)
Operation of Non-Instructional Services	416,133	162,839	391,402	138,108
Extracurricular Activities	826,456	106,271	0	(720,185)
Interest and Fiscal Charges	131,614	0	0	(131,614)
Totals	\$17,020,416	\$470,399	\$1,663,824	(14,886,193)

General Revenues:

Property Taxes Levied for:	
General Purposes	9,231,484
Capital Projects Purposes	606,909
Grants and Entitlements, Not Restricted	4,401,525
Revenue in Lieu of Taxes	600,888
Unrestricted Contributions	554,979
Investment Earnings	68,650
Other Revenues	158,296
Total General Revenues	15,622,731
Change in Net Position	736,538
Net Position - Beginning of Year	(2,960,468)
Net Position - End of Year	(\$2,223,930)

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Balance Sheet
Governmental Funds
June 30, 2016

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$9,754,607	\$739,352	\$354,669	\$10,848,628
Restricted Cash and Investments	50,000	0	0	50,000
Receivables (Net):				
Taxes	10,312,825	650,832	0	10,963,657
Accounts	8,799	6,500	20	15,319
Interest	2,165	6	47	2,218
Intergovernmental	634,494	0	218,079	852,573
Interfund	63,509	0	0	63,509
Prepays	4,693	0	1,014	5,707
Inventory	0	0	11,329	11,329
Total Assets	20,831,092	1,396,690	585,158	22,812,940
Liabilities:				
Accounts Payable	92,240	12,969	113	105,322
Accrued Wages and Benefits	1,150,894	0	254,485	1,405,379
Compensated Absences	49,649	0	0	49,649
Interfund Payable	0	0	63,509	63,509
Total Liabilities	1,292,783	12,969	318,107	1,623,859
Deferred Inflows of Resources:				
Property Taxes	7,162,825	440,832	0	7,603,657
Grants and Other Taxes	634,494	0	171,869	806,363
Total Deferred Inflows of Resources	7,797,319	440,832	171,869	8,410,020
Fund Balances:				
Nonspendable	4,693	0	1,014	5,707
Restricted	0	942,889	352,574	1,295,463
Assigned	593,805	0	0	593,805
Unassigned	11,142,492	0	(258,406)	10,884,086
Total Fund Balances	11,740,990	942,889	95,182	12,779,061
Total Liabilities, Deferred Inflows and Fund Balances	\$20,831,092	\$1,396,690	\$585,158	\$22,812,940

See accompanying notes to the basic financial statements.

Deer Park Community City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2016

Total Governmental Fund Balance \$12,779,061

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

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

Capital assets used in the operation of Governmental Funds 7,980,243

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

Delinquent Property Taxes	510,868	
Intergovernmental	<u>171,868</u>	
		682,736

In the statement of net position 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. (13,335)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (628,593)

Deferred outflows and inflows or resources related to pensions
 are applicable to future periods and, therefore, are not
 reported in the funds.

Deferred outflows of resources related to pensions	3,535,292	
Deferred inflows of resources related to pensions	<u>(2,410,487)</u>	
		1,124,805

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds.

Net Pension Liability	(20,182,681)	
Other Amounts	<u>(3,966,166)</u>	
		<u>(24,148,847)</u>

Net Position of Governmental Activities (\$2,223,930)

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$9,231,484	\$606,909	\$0	\$9,838,393
Tuition and Fees	177,239	0	0	177,239
Investment Earnings	68,270	166	214	68,650
Intergovernmental	4,914,693	71,394	1,051,917	6,038,004
Extracurricular Activities	36,627	0	69,751	106,378
Charges for Services	0	0	162,839	162,839
Revenue in Lieu of Taxes	600,888	0	0	600,888
Gifts and Donations	0	481,035	0	481,035
Other Revenues	120,682	59,343	9,991	190,016
Total Revenues	15,149,883	1,218,847	1,294,712	17,663,442
Expenditures:				
Current:				
Instruction:				
Regular	5,596,532	311,130	1,039,016	6,946,678
Special	2,156,587	0	335,419	2,492,006
Vocational	139,671	0	0	139,671
Support Services:				
Pupil	730,452	0	25,792	756,244
Instructional Staff	656,395	360,130	29,154	1,045,679
General Administration	92,563	0	4,200	96,763
School Administration	1,299,603	0	39,215	1,338,818
Fiscal	428,352	4,394	0	432,746
Business	72,565	0	0	72,565
Operations and Maintenance	1,343,707	82,002	0	1,425,709
Pupil Transportation	369,213	98,299	8,705	476,217
Central	143,268	0	0	143,268
Operation of Non-Instructional Services	6,497	0	542,061	548,558
Extracurricular Activities	566,588	322,622	146,674	1,035,884
Capital Outlay	1,953	1,982,823	0	1,984,776
Debt Service:				
Principal Retirement	39,349	80,000	0	119,349
Interest and Fiscal Charges	10,532	121,138	0	131,670
Total Expenditures	13,653,827	3,362,538	2,170,236	19,186,601
Excess of Revenues Over (Under) Expenditures	1,496,056	(2,143,691)	(875,524)	(1,523,159)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,210	0	0	2,210
Transfers In	0	68,798	1,142,736	1,211,534
Transfers (Out)	(975,584)	0	(235,950)	(1,211,534)
Total Other Financing Sources (Uses)	(973,374)	68,798	906,786	2,210
Net Change in Fund Balance	522,682	(2,074,893)	31,262	(1,520,949)
Fund Balance - Beginning of Year	11,218,308	3,017,782	63,920	14,300,010
Fund Balance - End of Year	\$11,740,990	\$942,889	\$95,182	\$12,779,061

See accompanying notes to the basic financial statements.

Deer Park Community 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, 2016

Net Change in Fund Balance - Total Governmental Funds (\$1,520,949)

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	2,676,522	
Depreciation Expense	<u>(422,009)</u>	2,254,513

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. (27,857)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	1,006,761	
Cost of benefits earned net of employee contributions	<u>(1,172,662)</u>	(165,901)

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

Intergovernmental	93,512
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 119,349

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 388

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	(16,185)	
Amortization of Bond Discount	<u>(332)</u>	
Compensated Absences		<u>(16,517)</u>

Change in Net Position of Governmental Activities \$736,538

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2016

	Private Purpose Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$29,235</u>	<u>\$18,127</u>
Total Assets	<u>29,235</u>	<u>18,127</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>18,127</u>
Total Liabilities	<u>0</u>	<u>\$18,127</u>
Net Position:		
Held in Trust	<u>29,235</u>	
Total Net Position	<u>\$29,235</u>	

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust Fund
Additions:	
Other	\$0
Total Additions	0
Deductions:	
Other	0
Total Deductions	0
Change in Net Position	0
Net Position - Beginning of Year	29,235
Net Position - End of Year	\$29,235

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Note 1 - Description of the District

The Deer Park Community 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 53 non-certificated personnel and 95 certificated 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 with a head count of 1,221. It currently operates two elementary schools, and one junior high/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 three organizations defined as a jointly governed organizations. These organizations, the Hamilton/Clermont Cooperative Association, the Greater Cincinnati Insurance Consortium, and Great Oaks Institute of Career Technology and Development, are presented in Note 13.

Note 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 position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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 position. 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.

The private purpose trust is 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.

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Permanent Improvement Fund – The permanent improvement fund is used to account for all transactions related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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.

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources, including pension. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows related to pension are explained in a later note.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants and other taxes (which includes tax incremental financing 'TIF'), and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance year 2017 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Deferred inflows of resources related to pension are reported on the government-wide statement of net position.

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 2016. 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 Rule2A7 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, 2016.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2016 amounted to \$68,270 credited to the general

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

fund, \$166 credited to the permanent improvement fund, and \$214 credited to other governmental funds.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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.

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.

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Net Position

Net position represents the difference between assets and outflows of deferred resources, and liabilities and inflows of deferred resources. Net investment in capital assets 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 position is 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 position are available. Of the District's \$1,449,369 in restricted net position, none were restricted by enabling legislation.

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.

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

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

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts, which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

Note 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.

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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, 2016, \$1,055,629 of the District’s bank balance of \$5,905,629 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, 2016, the District had the following investments:

Investment Type	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
STAROhio	\$5,310,999	N/A	0.13
Total Investments	\$5,310,999		
Portfolio Weighted Average Maturity			0.13

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District’s recurring fair value measurements as of June 30, 2016. STAR Ohio is reported at its share price.

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. The District’s investments in STAROhio were rated AAAM by Standards & Poor’s.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has 100% invested in STAROhio.

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

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.

Note 4 - Property Taxes

Real property taxes collected in 2016 were levied in April on the assessed values as of January 1, 2012, 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.

Real property taxes are payable annually or semi-annually. In 2016, 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. 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, 2016. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2016. 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 inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2016, was \$3,150,000 for General Fund and \$210,000 for Other Governmental Funds, and is recognized as revenue.

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 2016 taxes were collected are:

	Amount
Agricultural/Residential and Other Real Estate	\$225,928,130
Public Utility Personal	11,703,530
Total	<u>\$237,631,660</u>

Note 5 – Receivables

Receivables at June 30, 2016, consisted of taxes, accounts, interfund, 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.

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$330,425	\$50,000	\$0	\$380,425
Construction in Progress	1,859,670	1,496,689	3,356,359	0
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	29,506,810	4,185,729	124,692	33,567,847
Equipment	1,596,459	300,463	74,441	1,822,481
Totals at Historical Cost	<u>33,293,364</u>	<u>6,032,881</u>	<u>3,555,492</u>	<u>35,770,753</u>
Less Accumulated Depreciation:				
Buildings and Improvements	26,443,641	294,723	100,319	26,638,045
Equipment	1,096,136	127,286	70,957	1,152,465
Total Accumulated Depreciation	<u>27,539,777</u>	<u>422,009</u>	<u>171,276</u>	<u>27,790,510</u>
Governmental Activities Capital Assets, Net	<u>\$5,753,587</u>	<u>\$5,610,872</u>	<u>\$3,384,216</u>	<u>\$7,980,243</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$257,937
Special	13,624
Support Services:	
Instructional Staff	20,633
School Administration	13,557
Business	441
Operations and Maintenance	75,378
Pupil Transportation	13,977
Central	4,421
Operation of Non-Instructional Services	9,639
Extracurricular Activities	12,402
Total Depreciation Expense	<u>\$422,009</u>

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**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

Note 7 - Long-Term Liabilities

	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:					
2013 Energy Conservation Improvement HB 264 Bonds	\$440,130	\$0	(\$39,349)	\$400,781	\$40,319
2015 Certificates of Participation	3,655,000	0	(80,000)	3,575,000	80,000
Discount on 2015 COPS	(9,947)	0	332	(9,615)	0
Total Long Term Debt	4,085,183	0	(119,017)	3,966,166	120,319
Net Pension Liability:					
STRS	13,896,222	2,837,626	(377,801)	16,356,047	0
SERS	3,228,274	863,795	(265,435)	3,826,634	0
Total Net Pension Liability	17,124,496	3,701,421	(643,236)	20,182,681	0
Compensated Absences	728,836	155,028	(205,622)	678,242	142,928
Total Governmental Activities Long-Term Liabilities	<u>\$21,938,515</u>	<u>\$3,856,449</u>	<u>(\$967,875)</u>	<u>\$24,827,089</u>	<u>\$263,247</u>

Compensated absences will be paid from the fund from which the person is paid.

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

Fiscal Year Ending June 30	General Obligation Bonds	
	Principal	Interest
2017	\$120,319	\$129,912
2018	121,312	127,718
2019	127,331	125,050
2020	128,374	122,306
2021	129,443	119,537
2022-2026	649,002	550,998
2027-2031	535,000	467,920
2032-2036	650,000	360,310
2037-2041	775,000	222,533
2042-2045	740,000	60,600
Total	<u>\$3,975,781</u>	<u>\$2,286,884</u>

Note 8 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

**Deer Park Community City School District
Notes to the Basic Financial Statements
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The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service, and 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

**Deer Park Community City School District
Notes to the Basic Financial Statements
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One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$286,779 for fiscal year 2016. Of this amount \$62,756 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**Deer Park Community City School District
Notes to the Basic Financial Statements
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The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$900,300 for fiscal year 2016. Of this amount \$150,116 is reported as accrued wages and benefits.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,826,634	\$16,356,047	\$20,182,681
Proportion of the Net Pension Liability	0.06706220%	0.05918154%	
Pension Expense	299,671	709,450	1,009,121

Deer Park Community City School District
Notes to the Basic Financial Statements
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At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$60,205	\$740,827	\$801,032
Net difference between projected and actual earnings on pension plan investments	286,350	821,038	1,107,388
Changes in employer proportion and differences between contributions and proportionate share of contributions	1,410	4,802	6,212
Changes in employer proportionate share of net pension liability	144,897	469,001	613,898
District contributions subsequent to the measurement date	<u>286,779</u>	<u>900,300</u>	<u>1,187,079</u>
Total Deferred Outflows of Resources	<u>\$779,641</u>	<u>\$2,935,968</u>	<u>\$3,715,609</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	386,245	1,905,072	2,291,317
Changes in employer proportion and differences between contributions and proportionate share of contributions	<u>26,894</u>	<u>92,276</u>	<u>119,170</u>
Total Deferred Inflows of Resources	<u>\$413,139</u>	<u>\$1,997,348</u>	<u>\$2,410,487</u>

\$1,187,079 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$2,157	(\$109,119)	(\$106,962)
2018	2,158	(109,120)	(106,962)
2019	2,158	(109,120)	(106,962)
2020	<u>73,250</u>	<u>365,679</u>	<u>438,929</u>
Total	<u>\$79,723</u>	<u>\$38,320</u>	<u>\$118,043</u>

**Deer Park Community City School District
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Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$5,306,166	\$3,826,634	\$2,580,746

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Center's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Deer Park Community City School District
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Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount

**Deer Park Community City School District
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rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$22,719,783	\$16,356,047	\$10,974,559

Note 9 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, 0 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$32,554.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$53,060, and \$38,087, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$55,648, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

Note 10 - 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 (\$2,500 deductible)	\$47,188,350
Inland Marine Coverage (\$500 deductible)	300,000
Boiler and Machinery (\$2,500 deductible)	47,188,350
Automobile Liability (\$500 deductible)	1,000,000
Uninsured Motorists (\$500 deductible)	1,000,000
General Liability Per Occurrence	1,000,000
 Total General Liability Aggregate Per Year	 2,000,000

Ohio Association of School Business Officials Workers' Compensation Group - The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program, 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 program is to achieve the benefit of a reduced cost for the School District by virtue of its grouping and representation with other participants in the pool. Each participant pays its workers' compensation premium to the Bureau of Workers' Compensation and then receives rebates based on actual performance of the entire group.

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

Note 11 - Contingent Liabilities

School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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, 2016.

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.

Note 12 - 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 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 capital acquisition. Disclosure of this information is required by State statute.

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**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

	Capital <u>Acquisition</u>	Budget <u>Stabilization</u>
Set Aside Reserve Balance as of June 30, 2015	\$0	\$50,000
Current Year Set Aside Requirements	220,531	0
Qualified Disbursements	<u>(365,510)</u>	<u>0</u>
Set Aside Reserve Balance as of June 30, 2016	<u>(\$144,979)</u>	<u>\$50,000</u>
Restricted Cash as of June 30, 2016	\$0	\$50,000
Carried Forward as of June 30, 2016	\$0	\$0

Qualifying disbursements for capital activity during the year was \$365,510, exceeding the amount required for set-aside.

Note 13 - Interfund Transactions

Interfund transactions at June 30, 2016, consisted of the following transfer in and transfer out as well as interfund receivable and interfund payable:

	Transfers		Interfund	
	<u>In</u>	<u>Out</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$0	\$975,584	\$63,509	\$0
Permanent Improvement	68,798	0	0	0
Other Governmental Funds	<u>1,142,736</u>	<u>235,950</u>	<u>0</u>	<u>63,509</u>
Total All Funds	<u>\$1,211,534</u>	<u>\$1,211,534</u>	<u>\$63,509</u>	<u>\$63,509</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. Transfers out of the other governmental funds were for the schoolwide building program in accordance with a consolidated funding application approved by the Ohio Department of Education.

Note 14 - Jointly Governed Organizations

Hamilton/Clermont Cooperative - The School District is a participant in the Hamilton/Clermont Cooperative (H/CCA) which is a computer consortium. H/CC is an association of 26 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/CC consists of the superintendents and/or treasurers of the participating members. H/CC 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/CC, Tom Collins, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

Greater Cincinnati Insurance Consortium - For coverage related to certain benefits the District participates as a member of the Greater Cincinnati Insurance Consortium (GCIC), a shared risk pool,

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

comprised of thirteen Hamilton County School Districts and the Hamilton County Educational Service Center. Decisions concerning the operation of the consortium are made by a Board of Directors consisting of one (1) representative selected from each participating member. Each member pays an administrative fee to the pool. Anthem Blue Cross Blue Shield provides claim review and processing.

Great Oaks Career Campuses - The Great Career Campuses is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. Great Oaks possesses its own budgeting and taxing authority. To obtain financial information, contact Rob Giuffré, Treasurer, Great Oaks Career Campuses, 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 15 – Accountability

The following fund had a deficit fund balance at June 30, 2016:

<u>Other Governmental Funds</u>	<u>Deficit</u>
Schoolwide Building Program	\$243,982
Vocational Education Enhancement	3,103
Title I	5,150
Special Education	5,221

Note 16 –Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
Nonspendable:				
Prepays	\$4,693	\$0	\$1,014	\$5,707
Total Nonspendable	4,693	0	1,014	5,707
Restricted for:				
Straight A Fund	0	0	99,129	99,129
Local Grants	0	0	6,755	6,755
Vocational Education	0	0	1,794	1,794
School Net Professional Development	0	0	1,815	1,815
Ohio Reads	0	0	902	902
Miscellaneous State Grants	0	0	436	436
School to Work	0	0	872	872
Title III	0	0	4,661	4,661
Student Activity	0	0	5,258	5,258
Auxiliary Services	0	0	4,470	4,470
Data Communication	0	0	5,400	5,400
Food Service	0	0	200,439	200,439
Debt Service	0	0	18,215	18,215
Permanent Improvement	0	942,889	0	942,889
Improve Teaching Quality	0	0	2,428	2,428
Total Restricted	0	942,889	352,574	1,295,463
Assigned to:				
Public School	321,754	0	0	321,754
Encumbrances	272,051	0	0	272,051
Total Assigned	593,805	0	0	593,805
Unassigned (Deficit)	11,142,492	0	(258,406)	10,884,086
Total Fund Balance	\$11,740,990	\$942,889	\$95,182	\$12,779,061

Note 17 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance. GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

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REQUIRED SUPPLEMENTARY INFORMATION

Deer Park Community City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.05918154%	0.05713094%	0.05713094%
District's Proportionate Share of the Net Pension Liability	\$16,356,047	\$13,896,222	\$16,508,511
District's Covered-Employee Payroll	\$6,016,200	\$6,286,223	\$6,052,803
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	271.87%	221.06%	272.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available

Deer Park Community City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

	2015	2014	2013
District's Proportionate Share of the Net Pension Liability	0.06706220%	0.06378800%	0.06378800%
District's Proportionate Share of the Net Pension Liability	\$3,826,634	\$3,228,274	\$3,794,403
District's Covered-Employee Payroll	\$2,456,813	\$1,872,266	\$1,920,423
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	155.76%	172.43%	197.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) - Information prior to 2013 is not available

Deer Park Community City School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Current and Prior Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$900,300	\$842,268	\$817,209
Contributions in Relation to the Contractually Required Contribution	<u>(900,300)</u>	<u>(842,268)</u>	<u>(817,209)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$6,430,714	\$6,016,200	\$6,286,223
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%

(1) - Information prior to 2014 is not available

Deer Park Community City School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Current and Prior Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$286,779	\$323,808	\$259,496
Contributions in Relation to the Contractually Required Contribution	<u>(286,779)</u>	<u>(323,808)</u>	<u>(259,496)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$2,048,421	\$2,456,813	\$1,872,266
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%

(1) - Information prior to 2014 is not available

Deer Park Community 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, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$9,863,078	\$9,914,479	\$10,051,484	\$137,005
Revenue in lieu of taxes	589,625	592,698	600,888	8,190
Tuition and Fees	173,501	174,405	176,815	2,410
Investment Earnings	8,210	8,253	8,367	114
Intergovernmental	4,822,571	4,847,704	4,914,693	66,989
Extracurricular Activities	27,030	27,171	27,546	375
Other Revenues	92,476	92,957	94,242	1,285
Total Revenues	15,576,491	15,657,667	15,874,035	216,368
Expenditures:				
Current:				
Instruction:				
Regular	6,159,461	6,159,461	5,675,014	484,447
Special	2,313,198	2,313,198	2,131,263	181,935
Vocational	136,371	136,371	125,645	10,726
Support Services:				
Pupil	827,171	827,171	762,113	65,058
Instructional Staff	725,686	725,686	668,610	57,076
General Administration	113,660	113,660	104,721	8,939
School Administration	1,438,087	1,438,087	1,324,980	113,107
Fiscal	468,110	468,110	431,293	36,817
Business	103,251	103,251	95,130	8,121
Operations and Maintenance	1,575,074	1,575,074	1,451,193	123,881
Pupil Transportation	423,759	423,759	390,430	33,329
Central	181,144	181,144	166,897	14,247
Extracurricular Activities	632,915	632,915	583,136	49,779
Capital Outlay	2,171	2,171	2,000	171
Debt Service:				
Principal Retirement	39,349	39,349	39,349	0
Interest and Fiscal Charges	14,790	14,790	10,532	4,258
Total Expenditures	15,154,197	15,154,197	13,962,306	1,191,891
Excess of Revenues Over (Under) Expenditures	422,294	503,470	1,911,729	1,408,259
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,169	2,180	2,210	30
Advances In	79,821	80,237	81,346	1,109
Transfers (Out)	(1,024,612)	(1,024,612)	(944,025)	80,587
Total Other Financing Sources (Uses)	(942,622)	(942,195)	(860,469)	81,726
Net Change in Fund Balance	(520,328)	(438,725)	1,051,260	1,489,985
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	8,323,347	8,323,347	8,323,347	0
Fund Balance End of Year	\$7,803,019	\$7,884,622	\$9,374,607	\$1,489,985

See accompanying notes to the required supplementary information.

Deer Park Community City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2016

Note 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 2016.

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.

Deer Park Community City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2016

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

	<u>General</u>
GAAP Basis	\$522,682
Revenue Accruals	724,381
Expenditure Accruals	38,040
Transfers (Out)	31,559
Advances In	81,346
Encumbrances	(342,241)
Funds Budgeted Elsewhere	(4,507)
Budget Basis	<u><u>\$1,051,260</u></u>

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Dear Park Community City School District



**Deer Park
Community
City Schools**

Single Audit Reports

June 30, 2016

**DEER PARK COMMUNITY CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	3L70	10.553	\$43,680	\$0
National School Lunch Program	3L60	10.555	227,974	37,845
Total Nutrition Cluster			271,654	37,845
Total U.S. Department of Agriculture			271,654	37,845
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	304,058	0
Special Education-Preschool Grants	3C50	84.173	8,094	0
Total Special Education Cluster			312,152	0
Title I Grants to Local Educational Agencies	3M00	84.010	319,166	0
Improving Teacher Quality	3Y60	84.367	34,029	0
Passed Through Great Oaks Career Campuses:				
Career & Technical Education Basic Grants to States	N/A	84.048	2,253	0
Total Department of Education			667,600	0
Total Federal Assistance			\$939,254	\$37,845

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared using the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR 200, Subpart F. The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Deer Park Community City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Deer Park Community City School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

March 24, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Deer Park Community City School District

Report on Compliance for Each Major Federal Program

We have audited the Deer Park Community City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated March 24, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
March 24, 2017

**DEER PARK COMMUNITY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

**DEER PARK COMMUNITY CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

Summary of Prior Audit Findings and Questioned Costs:

None



Dave Yost • Auditor of State

DEER PARK COMMUNITY 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 30, 2017**