

DEER PARK CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Deer Park City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Deer Park City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 21, 2007

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December 5, 2006

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Deer Park City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Deer Park City School District, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Certified Public Accountants

DEER PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2006
(Unaudited)

The discussion and analysis of Deer Park City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. 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 2006 are as follows:

- Net assets of governmental activities increased \$624,690 which represents a 14% increase from 2005.
- General revenues accounted for \$13,822,684 in revenue or 91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,395,071 or 9% of total revenues of \$15,217,755.
- Total assets of governmental activities increased by \$408,493 as taxes receivable increased by \$712,849 while cash and other receivables decreased by \$385,331.
- The District had \$14,593,065 in expenses related to governmental activities; only \$1,395,071 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,822,684 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, “How did we do financially during 2006?” The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

Governmental Funds Most of the District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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.

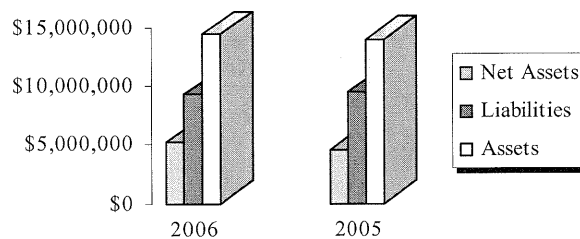
The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2006 compared to 2005:

Table 1
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Current Assets	\$11,118,273	\$10,785,929
Capital Assets	3,315,496	3,239,347
Total Assets	14,433,769	14,025,276
Liabilities		
Long-Term Liabilities	1,875,691	2,058,059
Other Liabilities	7,399,816	7,433,645
Total Liabilities	9,275,507	9,491,704
Net Assets		
Invested in Capital		
Assets Net of Debt	2,257,222	2,018,044
Restricted	1,013,789	1,154,163
Unrestricted	1,887,251	1,361,365
Total Net Assets	\$5,158,262	\$4,533,572



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$5,158,262.

At year-end, capital assets represented 23% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2006, was \$2,257,222. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,013,789, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of \$1,887,251 may be used to meet the District's ongoing obligation to the students and creditors. The external restriction will not affect the availability of fund resources for future use.

Current and other assets increased largely due to the increase in taxes receivable. Liabilities remained consistent. Net Assets increased as a result of the District's revenues exceeding expenses.

Table 2 shows the change in net assets for fiscal year 2006 compared to fiscal year 2005.

Table 2
Changes in Net Assets

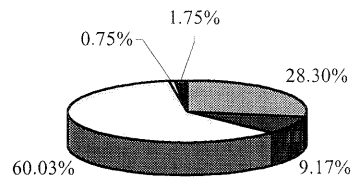
	Governmental Activities	
	2006	2005
Revenues		
Program Revenues:		
Charges for Services	\$568,625	\$535,484
Operating Grants	825,725	888,699
Capital Grants	721	0
General Revenue:		
Property Taxes	9,135,590	8,477,208
Grants and Entitlements	4,305,991	4,253,275
Other	381,103	278,780
Total Revenues	<u>15,217,755</u>	<u>14,433,446</u>
Program Expenses:		
Instruction	8,082,137	7,745,478
Support Services:		
Pupil and Instructional Staff	1,862,796	1,897,627
General and School Administrative, Fiscal and Business	1,920,508	1,940,664
Operations and Maintenance	1,318,400	1,243,931
Pupil Transportation	250,067	251,398
Central	90,925	56,010
Operation of Non-Instructional Services	554,706	536,753
Extracurricular Activities	455,632	407,300
Interest and Fiscal Charges	57,894	57,761
Total Expenses	<u>14,593,065</u>	<u>14,136,922</u>
Change in Net Assets	624,690	296,524
Beginning Net Assets	<u>4,533,572</u>	<u>4,237,048</u>
Ending Net Assets	<u><u>\$5,158,262</u></u>	<u><u>\$4,533,572</u></u>

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

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

Thus Ohio district dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 60% of revenue for governmental activities for the District in fiscal year 2006.

<u>Revenue Sources</u>	<u>2006</u>	<u>Percent of Total</u>
General Grants	\$4,305,991	28.30%
Program Revenues	1,395,071	9.17%
General Tax Revenues	9,135,590	60.03%
Investment Earnings	114,431	0.75%
Other Revenues	266,672	1.75%
	<u>\$15,217,755</u>	<u>100.00%</u>



Instruction comprises 56% of governmental program expenses. Support services expenses were 37% of governmental program expenses. All other expense including interest was 7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The increase in tax revenues is the result of an increase in the amount of taxes available for advance. Instruction expense increased 4.3% as a result of higher teacher salaries and general inflationary increases.

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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$8,082,137	\$7,745,478	\$7,715,940	\$7,396,771
Support Services:				
Pupil and Instructional Staff	1,862,796	1,897,627	1,552,829	1,578,947
General and School Administrative,				
Fiscal and Business	1,920,508	1,940,664	1,920,267	1,938,196
Operations and Maintenance	1,318,400	1,243,931	1,302,054	1,073,992
Pupil Transportation	250,067	251,398	249,346	251,398
Central	90,925	56,010	86,309	50,348
Operation of Non-Instructional Services	554,706	536,753	30,101	79,871
Extracurricular Activities	455,632	407,300	283,254	285,455
Interest and Fiscal Charges	57,894	57,761	57,894	57,761
Total Expenses	<u>\$14,593,065</u>	<u>\$14,136,922</u>	<u>\$13,197,994</u>	<u>\$12,712,739</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$9,753,866 (88%) of the total \$11,119,556 governmental funds assets.

General Fund: Fund balance at June 30, 2006 was \$2,242,868 an increase in fund balance of \$415,951 from 2005. The primary reason for the increase in fund balance were increases in taxes revenue mainly due to an increase in amount of tax advances received in 2006 compared to 2005.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, 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, budget basis revenue was \$12,711,940, compared to original budget estimates of \$12,384,072. Of the \$327,868 difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$236,160 at fiscal year end.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$3,315,496 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2006 balances compared to fiscal 2005:

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

	Governmental Activities	
	2006	2005
Land	\$330,425	\$330,425
Buildings and Improvements	2,295,134	2,261,708
Equipment	689,937	647,214
Total Net Capital Assets	<u>\$3,315,496</u>	<u>\$3,239,347</u>

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

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

Debt

At June 30, 2006, the District had \$1,058,274 in bonds and capital leases payable, \$167,402 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2006	2005
General Obligation Bonds:		
School Energy Conservation Bonds	<u>\$60,000</u>	<u>\$120,000</u>
Capital Lease Payable:		
Stadium Improvements	<u>998,274</u>	<u>1,101,303</u>
Subtotal Capital Leases Payable	<u>998,274</u>	<u>1,101,303</u>
Total Outstanding Debt at Year End	<u>\$1,058,274</u>	<u>\$1,221,303</u>

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

For the Future

A challenge facing the School District is the future of state funds. On December 11, 2002, the Ohio Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management 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.

Contacting the District's Financial Management

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

Deer Park City School District
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$1,278,223
Restricted Cash and Investments	53,055
Receivables:	
Taxes	9,686,901
Accounts	19,707
Interest	6,540
Intergovernmental	69,021
Inventory	4,826
Nondepreciable Capital Assets	330,425
Depreciable Capital Assets, Net	<u>2,985,071</u>
 Total Assets	 <u>14,433,769</u>
Liabilities:	
Accounts Payable	43,612
Accrued Wages and Benefits	1,557,619
Accrued Interest Payable	7,260
Unearned Revenue	5,791,325
Long-Term Liabilities:	
Due Within One Year	336,767
Due In More Than One Year	<u>1,538,924</u>
 Total Liabilities	 <u>9,275,507</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,257,222
Restricted for:	
Special Revenue	348,960
Debt Service	17,918
Capital Projects	593,856
Set-Aside	53,055
Unrestricted	<u>1,887,251</u>
 Total Net Assets	 <u><u>\$5,158,262</u></u>

See accompanying notes to the basic financial statements.

Deer Park City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$6,257,768	\$77,535	\$164,768	\$0	(\$6,015,465)
Special	1,654,114	0	35,103	0	(1,619,011)
Vocational	170,255	0	0	0	(170,255)
Other	0	1,488	87,303	0	88,791
Support Services:					
Pupil	834,509	0	34,675	0	(799,834)
Instructional Staff	1,028,287	0	275,292	0	(752,995)
General Administration	99,735	0	0	0	(99,735)
School Administration	1,184,722	0	0	0	(1,184,722)
Fiscal	494,837	0	0	0	(494,837)
Business	141,214	0	241	0	(140,973)
Operations and Maintenance	1,318,400	14,087	2,259	0	(1,302,054)
Pupil Transportation	250,067	0	0	721	(249,346)
Central	90,925	0	4,616	0	(86,309)
Operation of Non-Instructional Services	554,706	303,137	221,468	0	(30,101)
Extracurricular Activities	455,632	172,378	0	0	(283,254)
Interest and Fiscal Charges	57,894	0	0	0	(57,894)
Total Governmental Activities	\$14,593,065	\$568,625	\$825,725	721	(13,197,994)

General Revenues:

Property Taxes Levied for:	
General Purposes	8,719,610
Capital Projects Purposes	415,980
Grants and Entitlements not Restricted	4,305,991
Unrestricted Contributions	59,929
Investment Earnings	114,431
Other Revenues	206,743
Total General Revenues	13,822,684
Change in Net Assets	624,690
Net Assets Beginning of Year	4,533,572
Net Assets End of Year	\$5,158,262

See accompanying notes to the basic financial statements.

Deer Park City School District
Balance Sheet
Governmental Funds
June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$431,175	\$847,048	\$1,278,223
Restricted Cash and Investments	53,055	0	53,055
Receivables:			
Taxes	9,244,219	442,682	9,686,901
Accounts	17,832	1,875	19,707
Interest	6,302	238	6,540
Intergovernmental	0	69,021	69,021
Interfund	1,283	0	1,283
Inventory	0	4,826	4,826
Total Assets	9,753,866	1,365,690	11,119,556
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	36,627	6,985	43,612
Accrued Wages and Benefits	1,443,258	114,361	1,557,619
Compensated Absences	27,894	0	27,894
Interfund Payable	0	1,283	1,283
Deferred Revenue	6,003,219	334,434	6,337,653
Total Liabilities	7,510,998	457,063	7,968,061
Fund Balances:			
Reserved for Encumbrances	211,444	61,342	272,786
Reserved for Inventory	0	4,826	4,826
Reserved for Property Tax Advances	3,241,000	164,000	3,405,000
Reserved for Set-Aside	53,055	0	53,055
Unreserved, Undesignated, Reported in:			
General Fund	(1,262,631)	0	(1,262,631)
Special Revenue Funds	0	285,508	285,508
Debt Service Funds	0	18,190	18,190
Capital Projects Funds	0	374,761	374,761
Total Fund Balances	2,242,868	908,627	3,151,495
Total Liabilities and Fund Balances	\$9,753,866	\$1,365,690	\$11,119,556

See accompanying notes to the basic financial statements.

Deer Park City School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2006

Total Governmental Fund Balance		\$3,151,495
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,315,496
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	490,576	
Intergovernmental	<u>55,752</u>	
		546,328
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(7,260)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(789,523)</u>	
		(789,523)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,058,274)</u>
Net Assets of Governmental Activities		<u>\$5,158,262</u>

See accompanying notes to the basic financial statements.

Deer Park City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$8,574,765	\$404,728	\$8,979,493
Tuition and Fees	79,026	0	79,026
Investment Earnings	111,601	2,830	114,431
Intergovernmental	4,408,961	759,649	5,168,610
Extracurricular Activities	31,250	141,128	172,378
Charges for Services	0	303,137	303,137
Other Revenues	170,664	44,708	215,372
Total Revenues	13,376,267	1,656,180	15,032,447
Expenditures:			
Current:			
Instruction:			
Regular	6,025,914	118,209	6,144,123
Special	1,478,184	170,423	1,648,607
Vocational	170,255	0	170,255
Support Services:			
Pupil	803,477	34,910	838,387
Instructional Staff	318,856	675,174	994,030
General Administration	99,735	0	99,735
School Administration	1,170,499	0	1,170,499
Fiscal	486,787	4,272	491,059
Business	133,281	3,600	136,881
Operations and Maintenance	1,306,263	154,707	1,460,970
Pupil Transportation	323,774	0	323,774
Central	85,227	3,978	89,205
Operation of Non-Instructional Services	3,871	558,696	562,567
Extracurricular Activities	316,148	135,241	451,389
Debt Service:			
Principal Retirement	103,029	60,000	163,029
Interest and Fiscal Charges	45,184	6,540	51,724
Total Expenditures	12,870,484	1,925,750	14,796,234
Excess of Revenues Over (Under) Expenditures	505,783	(269,570)	236,213
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	5,453	0	5,453
Transfers In	0	95,285	95,285
Transfers (Out)	(95,285)	0	(95,285)
Total Other Financing Sources (Uses)	(89,832)	95,285	5,453
Net Change in Fund Balance	415,951	(174,285)	241,666
Fund Balance Beginning of Year	1,826,917	1,082,912	2,909,829
Fund Balance End of Year	\$2,242,868	\$908,627	\$3,151,495

See accompanying notes to the basic financial statements.

Deer Park City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balance - Total Governmental Funds \$241,666

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	287,895	
Depreciation Expense	<u>(211,746)</u>	76,149

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

Delinquent Property Taxes	156,097	
Intergovernmental	<u>23,758</u>	179,855

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 163,029

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. (6,170)

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	<u>(29,839)</u>	
		(29,839)

Change in Net Assets of Governmental Activities		<u><u>\$624,690</u></u>
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See accompanying notes to the basic financial statements.

Deer Park City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Investments	\$40,050	\$20,711
Total Assets	40,050	\$20,711
Liabilities:		
Other Liabilities	0	20,711
Total Liabilities	0	\$20,711
Net Assets:		
Held in Trust	40,050	
Total Net Assets	\$40,050	

See accompanying notes to the basic financial statements.

Deer Park City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2006

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

See accompanying notes to the basic financial statements.

**DEER PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006**

1. DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and /or federal agencies. This Board controls the District's instructional and support facilities staffed by 72 non-certificated personnel and 110 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 19th largest in Hamilton County in terms of enrollment. It currently operates three elementary schools, and one high school (grades 7-12).

REPORTING ENTITY

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

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

The District is associated with one organization that is defined as a jointly governed organization. This organization is Hamilton/Clermont Cooperative Association and it is presented in Note 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

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

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

FUND ACCOUNTING

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

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Fiduciary Funds

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

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

EQUITY IN POOLED CASH AND INVESTMENTS

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. 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, 2006.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$111,601

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.

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

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

INTERFUND ACTIVITY

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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 Assets.

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.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

RESTRICTED ASSETS

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

FUND EQUITY

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$679,810 of the District's bank balance of \$879,810 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, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
Money Market Funds	\$100,000	0.00
STAROhio	<u>795,480</u>	0.00
Total Fair Value	<u>\$895,480</u>	
Portfolio Weighted Average Maturity		0.00

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Money Market Funds were rate AAA by Standard & Poor's and Fitch Ratings and AAa by Moody's Investor Service. 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 11% invested in Money Market Funds and 89% invested in STAROhio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

4. PROPERTY TAXES

Real property taxes collected in 2006 were levied in April on the assessed values as of January 1, 2005, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

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

Real property taxes are payable annually or semi-annually. In 2006, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2006. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006, was \$3,241,000 for General Fund and \$164,000 for Permanent Improvement Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2006 operations.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$235,831,890
Public Utility Personal	11,359,700
Tangible Personal Property	<u>7,446,000</u>
Total	<u>\$254,637,590</u>

5. RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, accounts, intergovernmental grants, interest and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$330,425	\$0	\$0	\$330,425
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	27,225,840	148,088	0	27,373,928
Equipment	<u>1,571,958</u>	<u>139,807</u>	<u>53,154</u>	<u>1,658,611</u>
Totals at Historical Cost	<u>29,128,223</u>	<u>287,895</u>	<u>53,154</u>	<u>29,362,964</u>
Less Accumulated Depreciation:				
Buildings and Improvements	24,964,132	114,662	0	25,078,794
Equipment	<u>924,744</u>	<u>97,084</u>	<u>53,154</u>	<u>968,674</u>
Total Accumulated Depreciation	<u>25,888,876</u>	<u>211,746</u>	<u>53,154</u>	<u>26,047,468</u>
Governmental Activities Capital Assets, Net	<u>\$3,239,347</u>	<u>\$76,149</u>	<u>\$0</u>	<u>\$3,315,496</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$107,623
Special		4,357
Support Services:		
Instructional Staff		25,253
School Administration		6,440
Business		4,333
Operations and Maintenance		30,474
Pupil Transportation		18,608
Central		1,720
Operation of Non-Instructional Services		8,695
Extracurricular Activities		4,243
Total Depreciation Expense		<u>\$211,746</u>

7. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Governmental Activities:						
General Obligation Bonds						
School Energy Conservation Bonds						
1997 5.45%	4/1/07	<u>\$120,000</u>	<u>\$0</u>	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$60,000</u>
Total General Obligation Bonds		<u>120,000</u>	<u>0</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Capital Lease	5/1/14	<u>1,101,303</u>	<u>0</u>	<u>103,029</u>	<u>998,274</u>	<u>107,402</u>
Total Long Term Debt		<u>1,221,303</u>	<u>0</u>	<u>163,029</u>	<u>1,058,274</u>	<u>167,402</u>
Compensated Absences		<u>836,756</u>	<u>100,789</u>	<u>120,128</u>	<u>817,417</u>	<u>169,365</u>
Total Governmental Activities						
Long-Term Liabilities		<u>\$2,058,059</u>	<u>\$100,789</u>	<u>\$283,157</u>	<u>\$1,875,691</u>	<u>\$336,767</u>

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

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

	<u>General Obligation Bonds</u>		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending June 30,</u> 2007	<u>\$60,000</u>	<u>\$3,270</u>	<u>\$63,270</u>
Totals	<u>\$60,000</u>	<u>\$3,270</u>	<u>\$63,270</u>

8. LEASES

CAPITAL LEASES

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

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
Capital Lease	4.20%	4/30/04	5/01/14	<u>\$1,101,303</u>	<u>\$ 0</u>	<u>\$103,029</u>	<u>\$998,274</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006:

2007	\$148,214
2008	148,214
2009	148,214
2010	148,214
2011	148,214
2012-2014	<u>444,642</u>
Total Payments	\$1,185,712
Less: Interest	<u>(187,438)</u>
Present Value of Minimum Lease Payments	<u>\$998,274</u>

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

Stadium Improvements	\$1,215,000
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9. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$320,388, \$279,636, and \$268,428 respectively; 44% has been contributed for fiscal year 2006 and 100% for fiscal year 2005 and 2004.

STATE TEACHERS RETIREMENT SYSTEM

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$878,976, \$858,120, and \$811,020 respectively; 84% has been contributed for fiscal year 2006 and 100% for fiscal year 2005 and 2004.

10. POST EMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$62,784 for fiscal year 2006.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.43 percent of covered payroll. For the District, this amount equaled \$78,495 for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005 (the latest information available), the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

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

11. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the District as of June 30, 2006.

LITIGATION

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

12. RISK MANAGEMENT

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

A summary of significant coverage follows:

Building Contents-replacement cost (\$1,000 deductible)	\$32,148,000
Inland Marine Coverage (\$100,000/1,000 deductible)	32,148,000
Boiler and Machinery (\$1,000 deductible)	32,148,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability Per Occurrence	1,000,000
Total General Liability Aggregate Per Year	3,000,000

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

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

13. ACCOUNTABILITY AND COMPLIANCE

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Special Education	\$22,280
Title I	18,480

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

14. FUND BALANCE RESERVES FOR SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2005	(\$438,636)	\$ 0	\$53,055
Current Year Set-aside Requirement	204,514	204,514	0
Qualified Disbursements	(207,657)	(529,768)	0
Current Year Offsets	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2006	<u>(\$441,779)</u>	<u>(\$325,254)</u>	<u>\$53,055</u>
Carry forward amount to future years	<u>(\$441,779)</u>		

Qualifying disbursements for capital activity during the year was \$529,768, exceeding the amount required for set-aside. Qualifying disbursements and carryover for textbooks totaled \$646,293, resulting in \$441,779 for carryover to offset textbook requirements in future years.

15. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2006, consisted of the following transfers in and transfers out:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$1,283	\$0	\$0	\$95,285
Other Governmental Funds	<u>0</u>	<u>1,283</u>	<u>95,285</u>	<u>0</u>
Total All Funds	<u>\$1,283</u>	<u>\$1,283</u>	<u>\$95,285</u>	<u>\$95,285</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

16. JOINTLY GOVERNED ORGANIZATIONS

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

17. RELATED PARTY TRANSACTIONS

The District had approximately \$400,000 with People's Community Bank during fiscal year 2006. One of the Board Members is the Branch Manager for this bank.

18. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries"; GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Deer Park City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$7,768,389	\$7,974,057	\$8,063,765	\$89,708
Tuition and Fees	76,131	78,147	79,026	879
Investment Earnings	106,767	109,594	110,827	1,233
Intergovernmental	4,253,140	4,365,741	4,414,856	49,115
Extracurricular Activities	30,105	30,902	31,250	348
Other Revenues	149,540	153,499	155,226	1,727
Total Revenues	12,384,072	12,711,940	12,854,950	143,010
Expenditures:				
Current:				
Instruction:				
Regular	5,820,915	5,988,592	5,988,592	0
Special	1,488,731	1,531,615	1,531,615	0
Vocational	164,323	169,056	169,056	0
Support Services:				
Pupil	790,474	813,244	813,244	0
Instructional Staff	347,671	357,686	357,686	0
General Administration	117,317	120,696	120,696	0
School Administration	1,207,883	1,242,677	1,242,677	0
Fiscal	478,353	492,132	492,132	0
Business	142,444	146,547	146,547	0
Operations and Maintenance	1,360,746	1,399,944	1,399,944	0
Pupil Transportation	324,166	333,504	333,504	0
Central	95,577	98,330	98,330	0
Operation of Non-Instructional Services	3,763	3,871	3,871	0
Extracurricular Activities	316,403	325,517	325,517	0
Debt Service:				
Principal Retirement	103,029	103,029	103,029	0
Interest and Fiscal Charges	41,034	45,184	45,184	0
Total Expenditures	12,802,829	13,171,624	13,171,624	0
Excess of Revenues Over (Under) Expenditures	(418,757)	(459,684)	(316,674)	143,010
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	5,253	5,392	5,453	61
Advances (Out)	(1,246)	(1,282)	(1,282)	0
Transfers (Out)	(92,617)	(95,285)	(95,285)	0
Total Other Financing Sources (Uses)	(88,610)	(91,175)	(91,114)	61
Net Change in Fund Balance	(507,367)	(550,859)	(407,788)	143,071
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	643,948	643,948	643,948	0
Fund Balance End of Year	\$136,581	\$93,089	\$236,160	\$143,071

See accompanying notes to the required supplementary information.

DEER PARK CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2006

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 2006.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$415,951
Net Adjustment for Revenue Accruals	(521,317)
Net Adjustment for Expenditure Accruals	(54,351)
Encumbrances	<u>(248,071)</u>
Budget Basis	<u>(\$407,788)</u>

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DEER PARK CITY SCHOOL DISTRICT

Single Audit Reports

June 30, 2006

DEER PARK CITY SCHOOL DISTRICT

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
National School Lunch Program	LLP4	10.555	\$90,347	\$0	\$90,347	\$0
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>90,347</u>	<u>0</u>	<u>90,347</u>	<u>0</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B Grant	6B-SF	84.027	325,883	0	445,177	0
Total Special Education Cluster			<u>325,883</u>	<u>0</u>	<u>445,177</u>	<u>0</u>
Education Technology State Grant	TJ-S1	84.318	1,116	0	0	0
Title I Grant	C1-S1	84.010	61,324	0	76,001	0
Title V	C2-S1	84.298	4,515	0	555	0
Drug Free Schools Grant	DR-S1	84.186	4,532	0	4,066	0
Title II-A	TR-S1	84.367	33,833	0	34,905	0
Total Department of Education			<u>431,203</u>	<u>0</u>	<u>560,704</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
Passed Through Ohio Department of MRDD:						
Medical Assistance Program	MA-MI	93.778	59,928	0	0	0
Total Department of Health and Human Services			<u>59,928</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Federal Assistance			<u>\$581,478</u>	<u>\$0</u>	<u>\$651,051</u>	<u>\$0</u>

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 on the cash basis of accounting.



December 5, 2006

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

To the Board of Education
Deer Park City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deer Park City School District (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Certified Public Accountants



December 5, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Deer Park City School District

Compliance

We have audited the compliance of Deer Park City School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

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, 2006, and have issued our report thereon dated December 5, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Certified Public Accountants

DEER PARK CITY SCHOOL DISTRICT
June 30, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Special Education Cluster
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

DEER PARK CITY SCHOOL DISTRICT
JUNE 30, 2006

SCHEDULE OF PRIOR AUDIT AND QUESTIONED COSTS
OMB CIRCULAR A-133

Deer Park City School District had no prior audit findings
or questioned costs in the prior year.



Mary Taylor, CPA
Auditor of State

DEER PARK CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2007**