

DEER PARK CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2003



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Deer Park City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2002 to June 30, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 2, 2004

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January 30, 2004

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2003, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

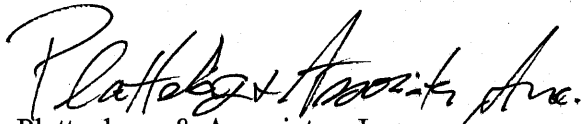
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Deer Park City School District, as of June 30, 2003 and, the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*; Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*; and Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Required Supplementary Information

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


Plattenburg & Associates, Inc.
Certified Public Accountants

DEER PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003
(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, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$1.38 million. Net assets of governmental activities increased \$1.39 million which represents a 4.9% increase from 2002. Net assets of business-type activities decreased \$.01 million or 6.1% from 2002.
- General revenues accounted for \$12.73 million in revenue or 95.2% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$.66 million or 4.9% of total revenues of \$13.38 million.
- Total assets of governmental activities increased by \$.96 million as taxes receivable increased by \$.15 million while cash and other receivables increased by \$.02 million.
- The District had \$11.99 million in expenses related to governmental activities; only \$.66 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12.73 million were adequate to provide for these programs.
- As the major fund, the General Fund had \$12.53 million in revenues and \$11.52 million in expenditures. The General Fund's fund balance increased from \$2.42 to \$2.92 million.
- Net assets for Enterprise Funds decreased slightly. This decrease resulted from operating expenses of \$.42 million exceeding operating income of \$.32 million and grants of \$.09 million.

Using this Basic Financial Statement Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the District is divided into two distinct kinds of activities:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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 2002 compared to 2003:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Assets						
Current and Other Assets	\$10,091,046	\$10,253,461	\$94,229	\$103,777	\$10,185,275	\$10,357,238
Capital Assets	<u>27,367,847</u>	<u>28,167,624</u>	<u>34,246</u>	<u>27,866</u>	<u>27,402,093</u>	<u>28,195,490</u>
Total Assets	<u>37,458,893</u>	<u>38,421,085</u>	<u>128,475</u>	<u>131,643</u>	<u>37,587,368</u>	<u>38,552,728</u>
Liabilities						
Long-Term Liabilities	1,544,956	2,303,610	40,145	4,821	1,585,101	2,308,431
Other Liabilities	<u>7,628,260</u>	<u>6,438,693</u>	<u>0</u>	<u>39,294</u>	<u>7,628,260</u>	<u>6,477,987</u>
Total Liabilities	<u>9,173,216</u>	<u>8,742,303</u>	<u>40,145</u>	<u>44,115</u>	<u>9,213,361</u>	<u>8,786,418</u>
Net Assets						
Invested in Capital						
Assets Net of Debt	25,410,265	26,661,752	34,246	27,866	25,444,511	26,689,618
Restricted	781,746	820,248	0	0	781,746	820,248
Unrestricted	<u>2,093,666</u>	<u>2,196,782</u>	<u>54,084</u>	<u>59,662</u>	<u>2,147,750</u>	<u>2,256,444</u>
Total Net Assets	<u>\$28,285,677</u>	<u>\$29,678,782</u>	<u>\$88,330</u>	<u>\$87,528</u>	<u>\$28,374,007</u>	<u>\$29,766,310</u>

Total assets increased \$.97 million. Equity in pooled cash and cash equivalents increased \$.82 million. Taxes receivable increased \$.15 million. Total liabilities decreased \$.43 million, resulting in a net asset increase of \$1.39 million.

The net assets of the District business-type activities decreased by less than \$1,000. Since the decrease was slight, management has reviewed and, where feasible, increased fees. This action should ensure that business-type activities remain self-supporting.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Changes in Net Assets

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Revenues			
Program Revenues:			
Charges for Services	\$232,740	\$319,018	\$551,758
Operating Grants	399,714	85,374	485,088
Capital Grants	22,553	0	22,553
General Revenue:			
Property Taxes	8,091,615	0	8,091,615
Grants and Entitlements	4,156,627	0	4,156,627
Other	<u>478,484</u>	<u>8,093</u>	<u>486,577</u>
Total Revenues	<u>13,381,733</u>	<u>412,485</u>	<u>13,794,218</u>
Program Expenses:			
Instruction	6,953,978	0	6,953,978
Support Services:			
Pupil and Instructional Staff	1,551,605	0	1,551,605
General and School Administration, Fiscal and Business	1,743,686	0	1,743,686
Operations and Maintenance	867,714	0	867,714
Pupil Transportation	280,065	0	280,065
Central	82,108	0	82,108
Community Services	92,720	0	92,720
Extracurricular Activities	398,952	0	398,952
Interest and Fiscal Charges	18,448	0	18,448
Food Service	0	410,005	410,005
Uniform School Supply	<u>0</u>	<u>8,171</u>	<u>8,171</u>
Total Expenses	<u>11,989,276</u>	<u>418,176</u>	<u>12,407,452</u>
Change in Net Assets	<u>\$1,392,457</u>	<u>(\$5,691)</u>	<u>\$1,386,766</u>

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 92% of the District's revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 60% of revenue for governmental activities for the District in fiscal year 2003.

Instruction comprises 58% of governmental program expenses. Support services expenses were 13% of governmental program expenses. Interest expense was .2%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Instruction	\$6,953,978	\$6,752,253
Support Services:		
Pupil and Instructional Staff	1,551,605	1,373,158
General and School Administration, Fiscal and Business	1,743,686	1,742,399
Operations and Maintenance	867,714	831,651
Pupil Transportation	280,065	280,065
Central	82,108	75,705
Community Services	92,720	(54,515)
Extracurricular Activities	398,952	315,105
Interest and Fiscal Charges	<u>18,448</u>	<u>18,448</u>
Total Expenses	<u>\$11,989,276</u>	<u>\$11,334,269</u>

Business-Type Activities

Business-type activities, include the food service operation and the sale of uniform school supplies. These programs had revenues of \$0.40 million and expenses of \$0.42 million for fiscal year 2003.

The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$13,384,733 and expenditures and other financing uses of \$12,841,592. The net change in fund balance for the year was \$543,141 or 17%.

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 2003, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$11.91 million, above original budget estimates of \$11.74 million. Of this \$0.17 million difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was less than \$1,000 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$28.2 million invested in land, buildings, and equipment. Table 4 shows fiscal 2003 balances compared to fiscal 2002:

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

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Land	\$622,712	\$622,712	\$0	\$0	\$622,712	\$622,712
Buildings and Improvements	25,659,243	26,428,549	1,175	804	25,660,418	26,429,353
Furniture and Equipment	1,085,892	1,116,363	33,071	27,062	1,118,963	1,143,425
Total Net Assets	<u>\$27,367,847</u>	<u>\$28,167,624</u>	<u>\$34,246</u>	<u>\$27,866</u>	<u>\$27,402,093</u>	<u>\$28,195,490</u>

The increase in capital assets is due to \$.95 million in building and improvements and equipment additions. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2003, the District had \$1,505,872 in bonds and capital leases payable, \$89,081 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2002</u>
Total:		
General Obligation Bonds:		
School Energy Conservation Notes	\$0	\$95,000
School Energy Conservation Bonds	<u>225,000</u>	<u>245,000</u>
Subtotal Bonds	225,000	340,000
Capital Leases Payable		
Phone System	54,007	66,751
Vehicles	26,865	33,205
Stadium Improvements	<u>1,200,000</u>	<u>1,200,000</u>
Subtotal Capital Leases Payable	<u>1,280,872</u>	<u>1,299,956</u>
Total Outstanding Debt at Year End	<u>\$1,505,872</u>	<u>\$1,639,956</u>

For the Future

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

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

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

Contacting the District's Financial Management

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

Deer Park City School District
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$2,461,400	\$96,630	\$2,558,030
Restricted Cash and Investments	53,055	0	53,055
Receivables:			
Taxes	7,564,094	0	7,564,094
Accounts	8,709	0	8,709
Interest	11,506	42	11,548
Intergovernmental	154,697	0	154,697
Inventory	0	7,105	7,105
Nondepreciable Capital Assets	504,886	0	504,886
Depreciable Capital Assets, Net	27,662,738	27,866	27,690,604
Total Assets	38,421,085	131,643	38,552,728
Liabilities:			
Accounts Payable	92,122	1,766	93,888
Accrued Wages and Benefits	1,276,187	36,130	1,312,317
Accrued Interest Payable	4,408	0	4,408
Deferred Revenue	5,065,976	1,398	5,067,374
Long-Term Liabilities:			
Due Within One Year	125,558	4,821	130,379
Due In More Than One Year	2,178,052	0	2,178,052
Total Liabilities	8,742,303	44,115	8,786,418
Net Assets:			
Invested in Capital Assets, Net of Related Debt	26,661,752	27,866	26,689,618
Restricted for:			
Debt Service	13,782	0	13,782
Capital Projects	562,341	0	562,341
Special Revenue	244,125	0	244,125
Unrestricted	2,196,782	59,662	2,256,444
Total Net Assets	\$29,678,782	\$87,528	\$29,766,310

See accompanying notes.

Deer Park City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	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	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$5,531,677	\$80,321	\$41,082	\$22,553	(\$5,387,721)	\$0	(\$5,387,721)
Special	1,266,902	6,168	33,269	0	(1,227,465)	0	(1,227,465)
Vocational	155,039	0	0	0	(155,039)	0	(155,039)
Other	360	833	17,499	0	17,972	0	17,972
Support Services:							
Pupil	776,838	0	30,598	0	(746,240)	0	(746,240)
Instructional Staff	774,767	14,986	132,863	0	(626,918)	0	(626,918)
General Administration	65,230	0	0	0	(65,230)	0	(65,230)
School Administration	1,126,257	0	0	0	(1,126,257)	0	(1,126,257)
Fiscal	388,520	0	0	0	(388,520)	0	(388,520)
Business	163,679	0	1,287	0	(162,392)	0	(162,392)
Operations and Maintenance	867,714	36,063	0	0	(831,651)	0	(831,651)
Pupil Transportation	280,065	0	0	0	(280,065)	0	(280,065)
Central	82,108	1,147	5,256	0	(75,705)	0	(75,705)
Community Services	92,720	9,375	137,860	0	54,515	0	54,515
Extracurricular Activities	398,952	83,847	0	0	(315,105)	0	(315,105)
Interest and Fiscal Charges	18,448	0	0	0	(18,448)	0	(18,448)
Total Governmental Activities	11,989,276	232,740	399,714	22,553	(11,334,269)	0	(11,334,269)
Business-Type Activities:							
Food Service	410,005	319,018	85,374	0	0	(5,613)	(5,613)
Uniform School Supply	8,171	0	0	0	0	(8,171)	(8,171)
Total Business-Type Activities	418,176	319,018	85,374	0	0	(13,784)	(13,784)
Totals	\$12,407,452	\$551,758	\$485,088	\$22,553	(\$11,334,269)	(\$13,784)	(\$11,348,053)

General Revenues:

Property Taxes Levied for:			
General Purposes	7,840,667	0	7,840,667
Capital Projects	250,948	0	250,948
Grants and Entitlements not Restricted to Specific Programs	4,156,627	0	4,156,627
Payment in Lieu of Taxes	138,353	0	138,353
Unrestricted Contributions	196,562	0	196,562
Investment Earnings	74,321	395	74,716
Refunds & Reimbursements	1,464	0	1,464
Other Revenues	67,784	4,698	72,482
Transfers-Internal Activities	0	3,000	3,000
Total General Revenues & Transfers	12,726,726	8,093	12,734,819
Change in Net Assets	1,392,457	(5,691)	1,386,766
Net Assets Beginning of Year	28,286,325	93,219	28,379,544
Net Assets End of Year	\$29,678,782	\$87,528	\$29,766,310

See accompanying notes.

Deer Park City School District
 Balance Sheet
 Governmental Funds
 June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,702,616	\$758,784	\$2,461,400
Restricted Cash and Investments	53,055	0	53,055
Receivables:			
Taxes	7,329,323	234,771	7,564,094
Accounts	8,709	0	8,709
Interest	11,506	0	11,506
Intergovernmental	52,465	102,232	154,697
Interfund	22,674	0	22,674
Total Assets	9,180,348	1,095,787	10,276,135
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	87,657	4,465	92,122
Accrued Wages and Benefits	1,177,623	36,785	1,214,408
Compensated Absences	83,043	0	83,043
Interfund Payable	0	22,674	22,674
Deferred Revenue	4,914,605	253,603	5,168,208
Total Liabilities	6,262,928	317,527	6,580,455
Fund Balances:			
Reserved for Encumbrances	225,513	105,767	331,280
Reserved for Property Tax Advances	2,443,600	83,400	2,527,000
Reserved for Set Aside	53,055	0	53,055
Unreserved, Undesignated, Reported in:			
General Fund	195,252	0	195,252
Special Revenue Funds	0	112,678	112,678
Debt Service Funds	0	18,190	18,190
Capital Projects Funds	0	458,225	458,225
Total Fund Balances	2,917,420	778,260	3,695,680
Total Liabilities and Fund Balances	\$9,180,348	\$1,095,787	\$10,276,135

See accompanying notes.

Deer Park City School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2003

Total Governmental Fund Balance	\$3,695,680
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.	28,167,624
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	102,232
In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.	(4,408)
Some liabilities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	(776,474)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,505,872)</u>
Net Assets of Governmental Activities	<u>\$29,678,782</u>

See accompanying notes.

Deer Park City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$7,840,667	\$250,948	\$8,091,615
Tuition and Fees	81,930	0	81,930
Investment Earnings	73,499	822	74,321
Intergovernmental	4,328,723	440,181	4,768,904
Extracurricular Activities	18,250	93,568	111,818
Other Revenues	189,402	66,743	256,145
Total Revenues	12,532,471	852,262	13,384,733
Expenditures:			
Current:			
Instruction:			
Regular	5,413,878	432,920	5,846,798
Special	1,202,174	68,421	1,270,595
Vocational	155,414	0	155,414
Other	0	360	360
Support Services:			
Pupil	736,195	46,504	782,699
Instructional Staff	580,386	280,925	861,311
General Administration	65,230	0	65,230
School Administration	1,083,508	20,869	1,104,377
Fiscal	376,489	3,077	379,566
Business	160,359	1,393	161,752
Operations and Maintenance	1,156,812	26,601	1,183,413
Pupil Transportation	262,987	0	262,987
Central	68,457	11,728	80,185
Community Services	31	143,260	143,291
Extracurricular Activities	258,731	129,729	388,460
Debt Service:			
Principal Retirement	0	134,084	134,084
Interest and Fiscal Charges	0	18,720	18,720
Total Expenditures	11,520,651	1,318,591	12,839,242
Excess of Revenues Over (Under) Expenditures	1,011,820	(466,329)	545,491
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	650	0	650
Transfers In	0	514,712	514,712
Transfers (Out)	(517,712)	0	(517,712)
Total Other Financing Sources (Uses)	(517,062)	514,712	(2,350)
Net Change in Fund Balance	494,758	48,383	543,141
Fund Balance Beginning of Year	2,422,662	729,877	3,152,539
Fund Balance End of Year	\$2,917,420	\$778,260	\$3,695,680

See accompanying notes.

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, 2003

Net Change in Fund Balance - Total Governmental Funds	\$543,141
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays 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 by which capital outlays exceeded depreciation in the current period.	799,777
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the deduction for the loss on the disposal of capital assets must also be recognized.	(650)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	99,844
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	134,084
In the statement of activities, interest is accrued, whereas in governmental funds, an interest expenditure is reported when due.	272
Some expenses reported in the statement of activities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(184,011)
Change in Net Assets of Governmental Activities	<u>\$1,392,457</u>

See accompanying notes.

Deer Park City School District
Statement of Net Assets
Proprietary Funds
June 30, 2003

	<u>Business-Type Activity Enterprise Funds</u>
Assets:	
Equity in Pooled Cash and Investments	\$96,630
Interest	42
Inventory	<u>7,105</u>
Total Current Assets	<u>103,777</u>
Depreciable Capital Assets, Net	<u>27,866</u>
Total Assets	<u>131,643</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	1,766
Accrued Wages and Benefits	36,130
Compensated Absences	4,821
Deferred Revenue	<u>1,398</u>
Total Liabilities	<u>44,115</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	27,866
Unrestricted	<u>59,662</u>
Total Net Assets	<u><u>\$87,528</u></u>

See accompanying notes.

Deer Park City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds
Operating Revenues:	
Charges for Services	319,018
Other Revenues	4,698
Total Operating Revenues	<u>323,716</u>
Operating Expenses:	
Personal Services	197,565
Contactual Services	12,573
Materials and Supplies	201,631
Depreciation	6,380
Total Operating Expenses	<u>418,149</u>
Operating Income (Loss)	<u>(94,433)</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	395
Interest (Expense)	(27)
Donated Commodities	25,919
Operating Grants	59,455
Total Non-Operating Revenues (Expenses)	<u>85,742</u>
Income (Loss) Before Contributions & Transfers	(8,691)
Transfers In	<u>3,000</u>
Change in Net Assets	(5,691)
Net Assets Beginning of Year	<u>93,219</u>
Net Assets End of Year	<u><u>\$87,528</u></u>

See accompanying notes.

Deer Park City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds
Cash Flows from Operating Activities:	
Cash Payments to Employees	(194,227)
Cash Payments to Suppliers	(173,368)
Net Cash Provided (Used) by Operating Activities	(43,879)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	59,455
Payments from Other Funds	3,000
Net Cash Provided (Used) by Noncapital Financing Activities	62,455
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	4,887
Net Cash Provided (Used) by Capital and Related Financing Activities	4,887
Cash Flows from Investing Activities:	
Earnings on Investments	353
Net Cash Provided (Used) by Cash Flows from Investing Activities	353
Net Increase (Decrease) in Cash and Cash Equivalents	23,816
Cash and Cash Equivalents Beginning of Year	72,814
Cash and Cash Equivalents End of Year	96,630
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(94,433)
Adjustments:	
Depreciation	6,380
Donated Commodities	25,919
Changes in Assets & Liabilities:	
(Increase) Decrease in Inventory	14,285
Increase (Decrease) in Payables	1,766
Increase (Decrease) in Accrued Liabilities	3,338
Increase (Decrease) in Deferred Revenue	(1,134)
Net Cash Provided (Used) by Operating Activities	(\$43,879)
Schedule of Noncash Capital Activities:	
During the fiscal year, the Food Service Fund received contributed food commodities valued at	\$25,919

See accompanying notes.

Deer Park City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	<u>Private Purpose Trust Fund</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$40,050</u>	<u>\$16,355</u>
Total Assets	<u>40,050</u>	<u>\$16,355</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>16,355</u>
Total Liabilities	<u>0</u>	<u>\$16,355</u>
Net Assets:		
Held in Trust for Scholarships	<u>40,050</u>	
Total Net Assets	<u>\$40,050</u>	

See accompanying notes.

Deer Park City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003

	<u>Private Purpose Trust Fund</u>
Additions:	
Donations	\$0
Investment Earnings	0
Other	0
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.

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**DEER PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003**

1. DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and /or federal agencies. This Board controls the District's instructional and support facilities staffed by 74 non-certificated personnel and 115 certificated full time teaching and administrative personnel to provide services to students and other community members.

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

REPORTING ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. For business-type activities and proprietary funds, the District has elected not to follow subsequent private-sector guidance. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and 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 business segment or 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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary Funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

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

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no internal service funds.

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Fiduciary Funds

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

3. 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. Proprietary and 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

CASH AND CASH EQUIVALENTS

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2003 amounted to \$74,716.

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

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

INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption.

The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	10-50 years	N/A
Equipment	5-20 years	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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

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. The entire amount of compensated absences is reported as a fund liability in Proprietary Funds.

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.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, adult education and community school. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level within each individual fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriations and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

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, supplies inventory, prepayments, debt service, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the Enterprise Funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003.

RESTATEMENT OF FUND BALANCE

The implementation of these statements had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$2,405,689	\$729,879	\$3,135,568
Fund Reclassification	<u>16,973</u>	<u>0</u>	<u>16,973</u>
Adjusted Fund Balances, June 30, 2002	<u>\$2,422,662</u>	<u>\$729,879</u>	\$3,152,541
GASB 34 Adjustments:			
Capital Assets			\$27,367,847
Accrued Interest Payable			(4,680)
Compensated Absences Payable			(506,702)
Deferred Revenue			3,036
Accrued Wages and Benefits			(85,761)
Long Term Liabilities			<u>(1,639,956)</u>
Governmental Activities Net Assets, June 30, 2002			<u>\$28,286,325</u>

At June 30, 2002, fixed assets were restated in the Enterprise Funds. This restatement had the following effect on fund equity as it was previously reported:

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Total</u>
Fund Equity June 30, 2002	\$39,502	\$53,717	\$93,219
Fixed Assets	<u>(4,887)</u>	<u>0</u>	<u>(4,887)</u>
Adjusted Net Assets, June 30, 2002	<u>\$34,615</u>	<u>\$53,717</u>	<u>\$88,332</u>

4. CASH AND CASH EQUIVALENTS

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

Deposits – At the year end, the carrying amount of the District's deposits was \$1,613,499. The bank balance of deposits was \$1,887,713 of which \$100,000 was covered by federal depository insurance. The remaining balance of \$1,787,713 was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

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

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

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

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

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

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Repurchase Agreement	\$0	\$0	\$0	\$0
Federal Agency Security	0	0	0	0
State Treasury Pool*	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,053,991</u>
Total Investments	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,053,991</u>

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

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

5. PROPERTY TAXES

Real property taxes collected in 2003 were levied in April on the assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2003, 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 2003, 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, 2003. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2003. 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, 2003, was \$2,443,600 for General Fund and \$83,400 for Debt Service, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2003 operations. The amount available for advance at June 30, 2002 was \$1,773,600 for General Fund and \$60,700 for Debt Service, with a corresponding reserve to fund balance since the Board did not appropriate those receivables for fiscal year 2002 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 2003 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$201,297,980
Public Utility Personal	10,371,680
Tangible Personal Property	<u>8,821,600</u>
Total	<u>\$220,491,260</u>

6. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Government Activities				
Land	\$622,712	\$0	\$0	\$622,712
Buildings and Improvements	25,826,471	849,089	0	26,675,560
Equipment	<u>1,252,504</u>	<u>100,451</u>	<u>4,423</u>	<u>1,348,532</u>
Totals at Historical Cost	<u>\$27,701,687</u>	<u>\$949,540</u>	<u>\$4,423</u>	<u>\$28,646,804</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$167,228	\$79,783	\$0	\$247,011
Equipment	<u>166,612</u>	<u>69,980</u>	<u>4,423</u>	<u>232,169</u>
Total Accumulated Depreciation	<u>\$333,840</u>	<u>\$149,763</u>	<u>\$4,423</u>	<u>\$479,180</u>
Governmental Activities Capital Assets, Net	<u>\$27,367,847</u>	<u>\$799,777</u>	<u>\$ 0</u>	<u>\$28,167,624</u>
Business-Type Activities				
Buildings and Improvements	\$3,712	\$0	\$0	\$3,712
Equipment	<u>87,529</u>	<u>0</u>	<u>0</u>	<u>87,529</u>
Total at Historical Cost	<u>\$91,241</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$91,241</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$2,537	\$371	\$0	\$2,908
Equipment	<u>54,458</u>	<u>6,009</u>	<u>0</u>	<u>60,467</u>
Total Accumulated Depreciation	<u>\$56,995</u>	<u>\$6,380</u>	<u>\$ 0</u>	<u>\$63,375</u>
Business-Type Activities Capital Assets, Net	<u>\$34,246</u>	<u>(\$6,380)</u>	<u>\$ 0</u>	<u>\$27,866</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$78,219
Special		2,998
Vocational		158
Support Services:		
Pupil		1,504
Instructional Staff		21,283
School Administration		4,569
Operations and Maintenance		23,237
Pupil Transportation		11,913
Central		1,639
Extracurricular Activities		<u>4,243</u>
Total Depreciation Expense		<u>\$149,763</u>

8. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds:						
School Energy Conservation Notes						
1993 5.65%	4/01/03	\$95,000	\$ 0	\$95,000	\$ 0	\$0
School Energy Conservation Bonds						
1997 5.45%	4/01/07	<u>245,000</u>	<u>0</u>	<u>20,000</u>	<u>225,000</u>	<u>50,000</u>
Total General Obligation Bonds		340,000	0	115,000	225,000	50,000
Compensated Absences		506,702	291,036	0	797,738	36,477
Capital Leases		<u>1,299,956</u>	<u>0</u>	<u>19,084</u>	<u>1,280,872</u>	<u>39,081</u>
Total Governmental Activities Long-Term Liabilities		<u>\$2,146,658</u>	<u>\$291,036</u>	<u>\$134,084</u>	<u>\$2,303,610</u>	<u>\$125,558</u>
<u>Business-Type Activities</u>						
Compensated Absences		<u>\$5,310</u>	<u>\$0</u>	<u>\$489</u>	<u>\$4,821</u>	<u>\$0</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:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2004	\$50,000	\$12,262	\$62,262
2005	55,000	9,538	64,538
2006	60,000	6,540	66,540
2007	60,000	3,270	63,270
Totals	<u>\$225,000</u>	<u>\$31,610</u>	<u>\$256,610</u>

9. LEASES

CAPITAL LEASES

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

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

Description	Interest Rate	Issue Date	Maturity Date	Beginning Balance	Issued	Retired	Ending Balance
Phone System	5.10%	03/01/02	03/01/07	\$66,751	\$0	\$12,744	\$54,007
Vehicles	5.10%	03/01/02	03/01/07	33,205	0	6,340	26,865
Stadium Improvements(3.53-4.90%)	Various	4/26/02	06/26/13	<u>1,200,000</u>	<u>0</u>	<u>0</u>	<u>1,200,000</u>
		Total		<u>\$1,299,956</u>	<u>\$ 0</u>	<u>\$19,084</u>	<u>\$1,280,872</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, 2003:

2004	\$95,007
2005	191,417
2006	191,451
2007	186,970
2008	168,114
2009-2013	<u>821,590</u>
Total Payments	\$1,654,549
Less: Interest	<u>(373,677)</u>
Present Value of Minimum Lease Payments	<u>\$1,280,872</u>

10. 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 9% 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. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. 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, 2003, 2002, and 2001 were \$269,904, \$249,720, and \$232,320 respectively; 51.7% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

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, 2003, plan members were required to contribute 9.3% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. 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, 2003, 2002, and 2001 were \$823,932, \$799,884, and \$765,204 respectively; 83.3% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001..

11. POST EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$264,835 during the 2003 fiscal year. As of July 1, 2003, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For 2002 fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$164,641 during the 2003 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777.

12. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2003.

LITIGATION

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

13. RISK MANAGEMENT

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

A summary of significant coverage follows:

Building Contents-replacement cost (\$5,000 deductible)	\$24,044,700
Inland Marine Coverage (\$5,000/100 deductible)	24,044,700
Boiler and Machinery (\$1,000 deductible)	15,487,400
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$250 deductible)	2,000,000
General Liability Per Occurrence	2,000,000
Total General Liability Aggregate Per Year	5,000,000

Ohio Association of School Business Officials Workers' Compensation Group - The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

14. STATE SCHOOL FUNDING DECISION

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

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

15. COMPLIANCE AND ACCOUNTABILITY

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue	
Special Education	\$424
Title I	36,690

16. 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.

For fiscal year ended June 30, 2003, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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, 2002	\$ 0	\$ 0	\$53,055
Current Year Set-aside Requirement	193,915	193,195	0
Qualified Disbursements	(193,915)	(193,195)	0
Current Year Offsets	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$53,055</u>

Carry forward amount to future years \$195,768
 Qualifying disbursements for capital activity during the year was \$433,542, exceeding the amount required for set-aside. Qualifying disbursements and carryover for textbooks totaled \$389,683, resulting in \$195,768 for carryover to offset textbook requirements in future years.

17. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2003, consisted of the following individual fund receivables and payables:

	Interfund Loan <u>Receivable</u>	Interfund Loan <u>Payable</u>
General Fund	\$22,674	
Special Revenue Fund: Title I	_____	<u>\$22,674</u>
	<u>\$22,674</u>	<u>\$22,674</u>

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**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, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$7,067,749	\$7,170,667	\$7,170,667	\$0
Tuition and Fees	81,667	82,856	82,856	0
Interest	65,952	66,912	66,912	0
Intergovernmental	4,320,447	4,383,360	4,383,360	0
Extracurricular Activities	17,988	18,250	18,250	0
Other Revenues	189,571	191,986	192,331	345
Total Revenues	11,743,374	11,914,031	11,914,376	345
Expenditures:				
Current:				
Instruction:				
Regular	5,360,982	5,402,541	5,402,541	0
Special	1,290,422	1,300,426	1,300,426	0
Vocational	148,533	149,684	149,684	0
Support Services:				
Pupil	721,768	727,363	727,363	0
Instructional Staff	588,050	592,609	592,609	0
General Administration	103,381	104,182	104,182	0
School Administration	1,068,423	1,076,706	1,076,706	0
Fiscal	391,749	394,786	394,786	0
Business	172,065	173,399	173,399	0
Operations and Maintenance	1,179,409	1,188,552	1,188,552	0
Pupil Transportation	255,132	257,110	257,110	0
Central	73,579	74,149	74,149	0
Extracurricular Activities	255,838	257,821	257,821	0
Total Expenditures	11,609,331	11,699,328	11,699,328	0
Excess of Revenues Over (Under) Expenditures	134,043	214,703	215,048	345
Other financing sources (uses):				
Proceeds from Sale of Fixed Assets	641	650	650	0
Advances In	52,563	53,328	53,328	0
Advances (Out)	(22,500)	(22,674)	(22,674)	0
Transfers (Out)	(513,729)	(517,712)	(517,712)	0
Total Other Financing Sources (Uses)	(483,025)	(486,408)	(486,408)	0
Net Change in Fund Balance	(348,982)	(271,705)	(271,360)	345
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,755,001	1,755,001	1,755,001	0
Fund Balance End of Year	\$1,406,019	\$1,483,296	\$1,483,641	\$345

See accompanying notes to required supplementary information.

DEER PARK CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2003

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 2003.

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	\$494,758
Net Adjustment for Revenue Accruals	(564,767)
Net Adjustment for Expenditure Accruals	53,577
Encumbrances	<u>(254,928)</u>
Budget Basis	<u>(\$271,360)</u>

DEER PARK CITY SCHOOL DISTRICT

Single Audit Reports

June 30, 2003



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

January 30, 2004

To the Board of Education:

We have audited the basic financial statements of the Deer Park City School District, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated January 30, 2004, wherein we noted the District adopted Government Accounting Standards Board 34, 37 and 38 and Government Accounting Standards Board Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of the audit committee, management, the Board of Education, 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.

Certified Public Accountants



Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133

January 30, 2004

To the Board of Education:

Compliance

We have audited the compliance of the 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, 2003. The District's major federal programs are identified in the summary of auditor's results portion of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, 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 of 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, 2003.

Internal Control Over Compliance


The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 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 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 Federal Awards Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2003, and have issued our report thereon dated January 30, 2004. Our audit was performed for the purpose of forming an opinion on the 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 Board of Education, 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.
Certified Public Accountants

DEER PARK CITY SCHOOL DISTRICT

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Federal Grant/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	NN-N1	10.550	\$0	\$32,752	\$0	\$32,752
National School Lunch Program	04-PU	10.555	57,109	0	57,109	0
Total U.S. Department of Agriculture - Nutrition Cluster			57,109	32,752	57,109	32,752
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B Grant	6B-SF	84.027	111,435	0	146,398	0
Total Special Education Cluster			111,435	0	146,398	0
Title I Grant	C1-S1	84.010	34,474	0	52,596	0
Title VI	C2-S1	84.298	2,919	0	9,167	0
Drug Free Schools Grant	DR-S1	84.186	1,644	0	3,956	0
Eisenhower	MS-S1	84.281	928	0	9,032	0
Tech Literacy	T1-S1	84.318	762	0	0	0
School Renovation	ASTS1	84.352	795	0	804	0
Title IIA Teacher & Principal Train. & Recr	TRS1	84.367	12,961	0	30,053	0
Total Department of Education			165,918	0	252,006	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through Ohio Department of MRDD:						
Medical Assistance Program	MA-MI	93.778	190,009	0	190,009	0
Total Department of Health Care - Direct			190,009	0	190,009	0
Total Federal Assistance			\$413,036	\$32,752	\$499,124	\$32,752

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.

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants, and it is assumed that federal monies are expended first.

DEER PARK CITY SCHOOL DISTRICT

June 30, 2003

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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, 2003

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

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



**Auditor of State
Betty Montgomery**

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DEER PARK CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 20, 2004**