

DELAWARE CITY SCHOOL DISTRICT

Delaware, Ohio

General Purpose Financial Statements

For the Year Ended June 30, 2000

with

Independent Auditors' Report



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Delaware City School District
248 N. Washington St.
Delaware, OH 43015

We have reviewed the independent auditor's report of the Delaware City School District, Delaware County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 1999 through June 30, 2000. 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 Delaware City School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 27, 2000

DELAWARE CITY SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Education
Delaware City School District
Delaware, Ohio

We have audited the accompanying general purpose financial statements of the Delaware City School District (the District), as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2000 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Delaware City School District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
October 18, 2000

Delaware City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
<u>ASSETS AND OTHER DEBITS:</u>						
Equity in Pooled Cash and Cash Equivalents (Note 3)	\$ 538,953	636,983	696,917	2,138,327	155,159	13,423
Investments	5,713,195	-	-	7,651,078	-	-
Restricted Assets	1,121,513	-	-	-	-	-
Receivables (Note 5)						
Taxes (Note 4)	15,701,712	-	3,505,121	904,562	-	-
Accounts Receivable	7,103	-	-	-	9,368	-
Intergovernmental	10,203	-	-	-	-	-
Accrued Interest	82,449	-	2,228	152,954	-	-
Due from - Other Funds	36,720	-	-	-	-	-
Materials and Supply Inventory	97,600	-	-	-	21,725	-
Property, Plant and Equipment (Note 6)	-	-	-	-	716,326	-
Accumulated Depreciation (Note 6)	-	-	-	-	(363,746)	-
Prepaid Items	48,324	-	-	-	-	-
Amount Available for Long Term Debt	-	-	-	-	-	-
Amount to be Provided for Retirement of General Long Term Obligations	-	-	-	-	-	-
Total Assets and Other Debits	\$ 23,357,772	636,983	4,204,266	10,846,921	538,832	13,423

See accompanying notes to the general purpose financial statements

Fiduciary Fund Types	Account Groups		Totals 2000	Totals 1999
	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
320,274	-	-	4,500,036	6,556,759
-	-	-	13,364,273	20,105,957
-	-	-	1,121,513	957,954
-	-	-	20,111,395	18,872,175
-	-	-	16,471	18,554
-	-	-	10,203	83,953
2,575	-	-	240,206	325,396
-	-	-	36,720	48,960
-	-	-	119,325	117,682
-	63,607,651	-	64,323,977	50,783,765
-	-	-	(363,746)	(329,666)
-	-	-	48,324	33,917
-	-	1,164,730	1,164,730	1,278,597
-	-	45,562,868	45,562,868	47,009,310
<u>322,849</u>	<u>63,607,651</u>	<u>46,727,598</u>	<u>150,256,295</u>	<u>145,863,313</u>

Delaware City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
<u>LIABILITIES:</u>						
Accounts Payable	\$ 253,151	45,001	-	1,623,289	10,571	-
Accrued Salaries and Benefits Payable	2,250,015	86,896	-	-	80,175	-
Due to:						
Other Funds	-	-	-	-	36,720	-
Students/Other Agencies	-	-	-	-	-	-
Governments	445,348	12,701	-	-	76,806	-
Deferred Revenue						
Taxes	13,923,710	-	3,039,536	799,353	-	-
Other	-	-	-	-	10,681	-
Bonds Payable (Note 7)	-	-	-	-	-	-
Notes Payable (Note 7)	-	-	-	-	-	-
Obligation Under Capital Leases	-	-	-	-	-	-
Employee Benefits Obligations (Note	64,479	-	-	-	48,197	-
Total Liabilities	16,936,703	144,598	3,039,536	2,422,642	263,150	-
<u>Equity and Other Credits</u>						
Investment in General Fixed Assets	-	-	-	-	-	-
Contributed Capital	-	-	-	-	355,830	-
Retained Earnings (Deficit)	-	-	-	-	(80,148)	13,423
Fund Balance:						
Reserved for Future Appropriation	1,778,002	-	465,585	105,209	-	-
Reserved for Prepaids	48,324	-	-	-	-	-
Reserved for Encumbrances	232,502	50,570	-	3,640,898	-	-
Reserved for Endowments	-	-	-	-	-	-
Reserved for Inventory	97,600	-	-	-	-	-
Reserved for Budget Stabilization	1,121,513	-	-	-	-	-
Reserved for Anticipated Arbitration	-	-	-	115,000	-	-
Unreserved: Undesignated	3,143,128	441,815	699,145	4,563,172	-	-
Total Equity and Other Credits	6,421,069	492,385	1,164,730	8,424,279	275,682	13,423
Total Liabilities, Equity, and Other Credits	\$ 23,357,772	636,983	4,204,266	10,846,921	538,832	13,423

See accompanying notes to the general purpose financial statements

Fiduciary Fund Types		Account Groups		Totals 2000	Totals 1999
Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)	(Memorandum Only)	
5,050	-	-	1,937,062	446,184	
-	-	-	2,417,086	2,264,100	
-	-	-	36,720	48,960	
85,179	-	-	85,179	57,633	
-	-	176,509	711,364	673,427	
-	-	-	17,762,599	15,730,139	
-	-	-	10,681	6,910	
-	-	44,957,734	44,957,734	46,287,734	
-	-	260,000	260,000	310,000	
-	-	-	-	111,548	
-	-	1,333,355	1,446,031	1,534,714	
90,229	-	46,727,598	69,624,456	67,471,349	
-	63,607,651	-	63,607,651	50,071,984	
-	-	-	355,830	355,830	
-	-	-	(66,725)	77,960	
-	-	-	2,348,796	3,142,036	
-	-	-	48,324	33,917	
1,346	-	-	3,925,316	12,944,532	
76,027	-	-	76,027	-	
-	-	-	97,600	101,819	
-	-	-	1,121,513	957,954	
-	-	-	115,000	-	
155,247	-	-	9,002,507	10,705,932	
232,620	63,607,651	-	80,631,839	78,391,964	
322,849	63,607,651	46,727,598	150,256,295	145,863,313	

Delaware City School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Fund Types and Similar Trust Funds
 Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary	Totals	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	2000 (Memorandum Only)	1999 (Memorandum Only)
REVENUES:							
Taxes	\$ 14,556,338	-	3,111,839	827,974	-	18,496,151	19,492,161
Tuition and Fees	192,992	-	-	-	-	192,992	147,511
Interest	568,996	-	36,944	863,911	651	1,470,502	1,503,609
Intergovernmental	9,726,794	1,251,037	344,161	204,933	-	11,526,925	11,547,216
Rent	14,729	-	-	-	-	14,729	12,937
Gifts and Donations	-	33,261	-	-	108,621	141,882	119,166
Increase in Fair Value of Inve:	33,894	-	-	56,344	-	90,238	87,282
Extracurricular Activities	-	139,916	-	-	-	139,916	115,751
Other Local Revenue	105,869	21,842	-	-	13,670	141,381	110,957
TOTAL REVENUE	25,199,612	1,446,056	3,492,944	1,953,162	122,942	32,214,716	33,136,590
EXPENDITURES:							
CURRENT							
Instruction							
Regular	11,572,174	244,768	-	499,226	-	12,316,168	11,621,772
Special	2,875,014	470,179	-	-	-	3,345,193	3,098,520
Vocational	225,341	-	-	-	-	225,341	209,201
Other	190,786	-	-	-	-	190,786	173,422
Support Services							
Pupil Support	1,366,735	121,355	-	-	7,509	1,495,599	1,293,793
Instructional Support	1,355,875	235,556	-	111,074	-	1,702,505	1,546,505
Board of Education	218,040	-	-	-	-	218,040	197,334
Administration	1,670,522	68,123	-	13,858	-	1,752,503	1,606,965
Fiscal	695,490	-	58,951	25,976	-	780,417	684,935
Business	202,355	-	-	126,932	-	329,287	293,183
Operation and Maintenance	2,296,769	13,118	-	51,859	-	2,361,746	2,093,815
Transportation	1,255,175	-	-	298,132	-	1,553,307	1,004,423
Central Services	102,964	11,738	-	-	-	114,702	102,240
Community Services	-	8,670	-	-	-	8,670	7,922
Extracurricular	581,324	153,255	-	-	-	734,579	654,783
CAPITAL OUTLAY	-	-	-	12,581,380	-	12,581,380	2,729,940
DEBT SERVICE							
Principal	50,000	-	1,330,000	111,548	-	1,491,548	1,004,961
Interest	16,958	-	2,217,860	1,672	-	2,236,490	2,176,197
TOTAL EXPENDITURES	24,675,522	1,326,762	3,606,811	13,821,657	7,509	43,438,261	30,499,911

See accompanying notes to the general purpose financial statements.

Delaware City School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Fund Types and Similar Trust Funds - cont.
 Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary	Totals	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	2000 (Memorandum Only)	1999 (Memorandum Only)
Excess Revenue Over (Under)							
Expenditures	524,090	119,294	(113,867)	(11,868,495)	115,433	(11,223,545)	2,636,679
Other Financing Sources (Uses):							
Transfers In	163,558	20,000	-	-	-	183,558	851,652
Transfers Out	(183,558)	-	-	-	-	(183,558)	(849,204)
Sale of Bonds	-	-	-	-	-	-	19,749,968
Other Sources	530	100	-	-	-	630	348,302
Total Other Financing Sources	(19,470)	20,100	-	-	-	630	20,100,718
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	504,620	139,394	(113,867)	(11,868,495)	115,433	(11,222,915)	22,737,397
Fund Balance Beginning of the Fiscal Year	5,920,668	352,991	1,278,597	20,292,774	41,160	27,886,190	5,159,671
Increase (Decrease) in Reserve for Inventory	(4,219)	-	-	-	-	(4,219)	(10,878)
FUND BALANCES							
END OF YEAR	\$ 6,421,069	492,385	1,164,730	8,424,279	156,593	16,659,056	27,886,190

See accompanying notes to the general purpose financial statements.

Delaware City School District
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 (Non-GAAP Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 15,047,520	15,062,000	14,480	-	-	-
Tuition and Fees	182,883	184,490	1,607	-	-	-
Interest	526,649	526,649	-	-	-	-
Intergovernmental	9,729,826	9,729,826	-	1,295,163	1,295,163	-
Extracurricular Activities	-	-	-	137,211	139,916	2,705
Rent	14,729	14,729	-	-	-	-
Customer Services	45,649	45,649	-	9,342	9,342	-
Gifts and Donations	-	-	-	33,261	33,261	-
Other	60,047	61,998	1,951	12,600	12,600	-
Total Revenues	25,607,303	25,625,341	18,038	1,487,577	1,490,282	2,705
EXPENDITURES						
Current						
Instruction						
Regular	11,590,687	11,590,500	187	349,821	277,720	72,101
Special	2,801,188	2,801,188	-	613,769	467,084	146,685
Vocational	224,516	224,516	-	-	-	-
Other	187,871	187,871	-	-	-	-
Support Services						
Pupil Support Services	1,383,599	1,383,599	-	169,249	124,522	44,727
Instructional Support	1,369,266	1,369,266	-	377,390	245,312	132,078
Board Services	212,043	212,043	-	-	-	-
Administrative Service:	1,654,827	1,654,827	-	73,092	68,589	4,503
Fiscal Services	696,470	696,045	425	-	-	-
Business	199,346	199,346	-	-	-	-
Operation & Maint. - s	2,449,568	2,449,568	-	56,736	20,441	36,295
Transportation Service:	1,315,263	1,315,263	-	-	-	-
Central Support Service:	104,224	104,224	-	11,738	11,738	-
Community Services	-	-	-	14,025	10,898	3,127
Extracurricular Activities	578,237	578,237	-	160,432	160,432	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal	50,000	50,000	-	-	-	-
Interest	16,958	16,958	-	-	-	-
Total Expenditures	24,834,063	24,833,451	612	1,826,252	1,386,736	439,516
Excess of Revenues Over (Under) Expenditure	773,240	791,890	18,650	(338,675)	103,546	442,221

See accompanying notes to the general purpose financial statements.

Debt Service Funds			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
3,353,402	3,355,362	1,960	871,247	872,028	781	19,272,169	19,289,390	17,221
-	-	-	-	-	-	182,883	184,490	1,607
34,716	34,716	-	997,268	997,268	-	1,558,633	1,558,633	-
344,161	344,161	-	204,933	204,933	-	11,574,083	11,574,083	-
-	-	-	-	-	-	137,211	139,916	2,705
-	-	-	-	-	-	14,729	14,729	-
-	-	-	-	-	-	54,991	54,991	-
-	-	-	-	-	-	33,261	33,261	-
-	-	-	-	-	-	72,647	74,598	1,951
<u>3,732,279</u>	<u>3,734,239</u>	<u>1,960</u>	<u>2,073,448</u>	<u>2,074,229</u>	<u>781</u>	<u>32,900,607</u>	<u>32,924,091</u>	<u>23,484</u>
-	-	-	559,559	559,559	-	12,500,067	12,427,779	72,288
-	-	-	-	-	-	3,414,957	3,268,272	146,685
-	-	-	-	-	-	224,516	224,516	-
-	-	-	-	-	-	187,871	187,871	-
-	-	-	-	-	-	1,552,848	1,508,121	44,727
-	-	-	316,993	132,464	184,529	2,063,649	1,747,042	316,607
-	-	-	-	-	-	212,043	212,043	-
59,066	58,952	114	15,606	15,606	-	1,802,591	1,797,974	4,617
-	-	-	26,045	25,976	69	722,515	722,021	494
-	-	-	168,313	168,313	-	367,659	367,659	-
-	-	-	63,585	63,585	-	2,569,889	2,533,594	36,295
-	-	-	284,832	284,832	-	1,600,095	1,600,095	-
-	-	-	-	-	-	115,962	115,962	-
-	-	-	-	-	-	14,025	10,898	3,127
-	-	-	-	-	-	738,669	738,669	-
-	-	-	16,386,288	16,386,288	-	16,386,288	16,386,288	-
1,330,000	1,330,000	-	-	-	-	1,380,000	1,380,000	-
2,217,860	2,217,860	-	-	-	-	2,234,818	2,234,818	-
<u>3,606,926</u>	<u>3,606,812</u>	<u>114</u>	<u>17,821,221</u>	<u>17,636,623</u>	<u>184,598</u>	<u>48,088,462</u>	<u>47,463,622</u>	<u>624,840</u>
<u>125,353</u>	<u>127,427</u>	<u>2,074</u>	<u>(15,747,773)</u>	<u>(15,562,394)</u>	<u>185,379</u>	<u>(15,187,855)</u>	<u>(14,539,531)</u>	<u>648,324</u>

Delaware City School District
 Combined Statement of Revenues, Expenditures, Encumbrances, and
 Changes in Fund Balances - Budget and Actual - cont.
 (Non-GAAP Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Other Financing Sources (Uses):						
Transfers In	\$ 177,756	177,756	-	20,000	20,000	-
Transfers Out	(183,558)	(183,558)	-	-	-	-
Other Sources	-	-	-	-	-	-
Other Uses	-	-	-	-	-	-
Proceeds from Sale of Note:	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(5,802)	(5,802)	-	20,000	20,000	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	767,438	786,088	18,650	(318,675)	123,546	442,221
Fund Balance Beginning of Year:	5,725,410	5,725,410	-	304,765	304,765	-
Prior Year Encumbrances Appropriated	444,052	444,052	-	122,329	122,329	-
Fund Balance at End of Year \$	6,936,900	6,955,550	18,650	108,419	550,640	442,221

See accompanying notes to the general purpose financial statements.

Debt Service Funds			Capital Projects Funds			Total Memorandum Only		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	-	-	-	197,756	197,756	-
-	-	-	-	-	-	(183,558)	(183,558)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	14,198	14,198	-
125,353	127,427	2,074	(15,747,773)	(15,562,394)	185,379	(15,173,657)	(14,525,333)	648,324
569,489	569,489	-	7,280,838	7,280,838	-	13,880,502	13,880,502	-
-	-	-	12,706,614	12,706,614	-	13,272,995	13,272,995	-
694,842	696,916	2,074	4,239,679	4,425,058	185,379	11,979,840	12,628,164	648,324

Delaware City School District
 Combined Statement of Revenues, Expenses
 and Changes in Retained Earnings/Fund Balance
 All Proprietary Fund Types and Similar Trust Funds
 Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary	Total	Total
	Enterprise Fund	Internal Services Fund	Non-Expendable Trust	2000 (Memorandum Only)	1999 (Memorandum Only)
OPERATING REVENUES					
Tuition and Fees	\$ 411,110	-	-	411,110	421,986
Sales	699,988	-	-	699,988	637,978
Charges for Services	37,276	440	-	37,716	44,734
Contributions and Donations:	-	-	2,855	2,855	-
Interest	-	-	-	-	3,512
Other	17,546	56,612	-	74,158	43,665
Total Operating Revenue	1,165,920	57,052	2,855	1,225,827	1,151,875
OPERATING EXPENSES					
Salaries and Wages	746,355	-	-	746,355	691,517
Fringe Benefits	174,444	-	-	174,444	157,766
Contractual Services	64,348	-	-	64,348	52,267
Material and Supplies	469,964	-	423	470,387	442,569
Depreciation	34,080	-	-	34,080	34,901
Other Expenses	885	49,821	2,662	53,368	37,670
Total Operating Expenses	1,490,076	49,821	3,085	1,542,982	1,416,690
Operating Income (Loss)	(324,156)	7,231	(230)	(317,155)	(264,815)
NON-OPERATING REVENUES (EXPENSES)					
Federal Donated Commodities:	30,443	-	-	30,443	39,990
Interest	2,545	-	-	2,545	1,133
Federal and State Subsidies:	215,837	-	-	215,837	213,753
Interest and Fiscal Charge:	(1,958)	-	-	(1,958)	-
Other	1,630	-	-	1,630	-
Total Non-Operating Revenues	248,497	-	-	248,497	254,876
Income (Loss) before operating transfers-in	(75,659)	7,231	(230)	(68,658)	(9,939)
Operating transfers-in	14,198	-	-	14,198	12,240
Operating transfers-out	(14,198)	-	-	(14,198)	(14,688)
Net income (loss)	(75,659)	7,231	(230)	(68,658)	(12,387)
Retained Earnings (Deficit) - Beginning of the Year	(4,489)	6,192	76,257	77,960	90,347
Retained Earnings (Deficit) - End of the Year	(80,148)	13,423	76,027	9,302	77,960
Contributed capital at the Beginning of the year	355,830	-	-	355,830	355,830
Capital contributions	-	-	-	-	-
Contributed capital at the End of the year	355,830	-	-	355,830	355,830
Fund equity at end of year \$	275,682	13,423	76,027	365,132	433,790

See accompanying notes to general purpose financial statements

Delaware City School District
Combined Statement of Cash Flows
All Proprietary Funds and Similar Trust Funds
Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary	Total	Total
	Enterprise Fund	Internal	Non-Expendable Trust	2000	1999
		Services Fund		(Memorandum Only)	(Memorandum Only)
Cash Flows From Operating Activities					
Operating income (loss)	\$ (324,156)	7,231	(230)	(317,155)	(264,815)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:					
Depreciation	34,080	-	-	34,080	34,901
Effects of change in operating assets and liabilities:					
Accounts Receivable	(4,864)	-	-	(4,864)	19,364
Due from Other Governments	35,145	-	-	35,145	(2,310)
Inventory	(5,862)	-	-	(5,862)	(2,029)
Accrued interest	-	-	(1,081)	(1,081)	-
Other	258	-	-	258	-
Accounts Payable	1,904	(15,759)	-	(13,855)	14,424
Deferred Revenue	3,771	-	-	3,771	984
Accrued Wages and Benefits	2,005	-	-	2,005	23,302
Compensated Absences	10,119	-	-	10,119	(3,713)
Due to Other Governments	(10,575)	-	-	(10,575)	3,327
Due to Other Funds	(12,240)	-	-	(12,240)	53,878
Net cash used by operating activities	(270,415)	(8,528)	(1,311)	(280,254)	(122,687)
Cash Flows from Non-Capital Financing Activities:					
Federal Donated Commodities	30,443	-	-	30,443	39,990
Operating Grants from State and Federal Sour	215,837	-	-	215,837	213,753
Other Net	(328)	-	-	(328)	(7,366)
Net cash provided by noncapital financing sources	245,952	-	-	245,952	246,377
Cash Flows from Capital Financing Sources					
Acquisition of Assets	(4,545)	-	-	(4,545)	(61,150)
Cash Flows from Investing Activities					
Earnings on investment	2,545	-	-	2,545	1,133
Net increase (decrease) in cash & cash equivil	(26,463)	(8,528)	(1,311)	(36,302)	63,673
Cash and cash equivalents - beginning of year	181,622	21,951	76,257	279,830	216,157
Cash and cash equivalents - end of year	\$ 155,159	13,423	74,946	243,528	279,830

See accompanying notes to general purpose financial statements.

DELAWARE CITY SCHOOL DISTRICT

Notes to the Financial Statements

1. Description of the School District:

The School 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 seven instructional/support facilities staffed by 196 non-certificated employees, 256 certificated full time teaching personnel and 16 administrative employees to provide services to approximately 4,150 students and other community members.

The School District was established in 1871 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Article VI of the Constitution of the state of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four years terms.

The School District serves an area of approximately 41 square miles. It is located in Delaware County, including all of the City of Delaware, Ohio, and portions of surrounding townships.

The School District is the second largest in Delaware County in terms of enrollment. It currently operates five elementary schools, one middle school and one comprehensive high school.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading.

The primary government consists of all funds and departments that are not legally separate from the District. For Delaware City School District, this includes general operations, food service, childcare, student guidance, extracurricular activities, educational media and care and upkeep of grounds and buildings. The following activities are also included within the reporting entity:

Parochial Schools – Within the District boundaries are St. Mary's Catholic School and Delaware Christian School. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing body and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations for which the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

2. Summary of Significant Accounting Policies:

The financial statements of the Delaware City School 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's significant accounting policies are described below.

Fund accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

Governmental fund types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General fund

The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital projects fund

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary funds

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the School District's proprietary fund types:

Enterprise funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal service funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost-reimbursement basis.

Fiduciary funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, non-expendable trust and agency funds, agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General fixed asset account group

This group of accounts is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds and trust funds.

General long-term obligations account group

This group of accounts is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds and trust funds.

Measurement focus/basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust 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. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All proprietary and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary and non-expendable operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental, expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Measurable means the amount of the transaction can be determined. Available is defined as being able to finance expenditures of the current period, which for the School District is sixty days after the June 30 year end. Revenues susceptible to accrual at the end of the year include interest, tuition, grants and entitlements, and accounts (student fees and rent).

The School District reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period.

Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) were recognized as revenue.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred, with the following exceptions: general long-term obligation principal and interest are reported only when due, and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources.

The proprietary and non-expendable trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Under the provisions of Government Accounting Standards Board No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,” the District has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

Budgets

The School District is required by state statute to adopt an annual appropriated cash-basis budget for all funds. The specific timetable for the fiscal year is as follows:

Prior to January 15 of the preceding year, 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 Delaware County Budget Commission for tax rate determination.

Prior to March 31, the Board of Education accepts, by formal resolution, the tax rates, as determined by the Budget Commission, and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations 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.

Any revisions that alter the total of any fund appropriation, total function appropriations within a fund, or object appropriations within functions must be approved by the Board of Education.

Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash-basis appropriation.

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. Additional supplemental appropriations, legally enacted by the board, were required during fiscal 2000.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with School District funds in the normal course of operations for purchases orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority, due to commitment for a future expenditure, and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 11 provides a reconciliation of the non-GAAP budgetary basis to the GAAP basis of accounting. Encumbrances for proprietary funds are disclosed in the notes to the financial statements.

Cash and investments

Cash received by the School District is deposited in a central bank account with individual fund balance integrity maintained. Monies for all funds are maintained in this account or temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired by the School District) which are stated at cost. State statutes authorize the School District to invest in obligations of U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, auxiliary services, student activities, certain trust funds, and those other funds individually authorized by board resolution.

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

The District invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. 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 have been sold for on June 30, 2000.

An analysis of the treasurer's investment account at year-end is provided in Note 3.

Inventory

Inventories are valued at cost using First-in, First-out (FIFO) and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are purchased rather than when they are consumed. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates that they are unavailable for appropriation. Inventories of proprietary funds, however, are expensed when used rather than when purchased.

Fixed assets and depreciation

General fixed assets account group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The School District follows the policy of not capitalizing assets with a cost of less than \$300 and useful life of less than five years. Interest is not capitalized. No depreciation is recognized for assets in the general fixed assets account group. The School District has not included infrastructure in the general fixed asset account group.

During fiscal year 1998, the District contracted with a valuation firm to estimate the historical cost of all the District's assets. The estimated historical costs were used for all assets except recent building additions and renovations, where the actual costs were known. The valuation method consisted of obtaining the price of a fixed asset using product price listings from a year where the Consumer Price Index (CPI) was one (the base year). Then the price was adjusted by the CPI for each year between the base year and the year of acquisition.

Proprietary funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Interest is not capitalized. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the remaining estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, fixtures and minor equipment	5 - 12
Vehicles	4 - 6

Restricted assets

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

Intergovernmental revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

Grants and entitlements amounted to approximately 35% of the School District's operating revenue during the 2000 fiscal year.

Advances to other funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, the School District had no such advances.

Compensated absences

The District accounts for compensated absences in accordance with GASB Statement No. 16, Accounting for Compensated Absences, by using the vesting method for measuring the liability. The vesting method consists of estimating the liability for sick leave payoffs by calculating the amount of sick leave that is expected to become eligible for payoff at termination.

Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the benefits accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or a class or group of employees will become eligible to receive termination payments.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees, if both of the following conditions are met: the employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee, and it is probable that the employer will compensate the employees for the benefits through paid time off of some other means such as cash payment at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Employee benefits obligation" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned and the amount is reported as a fund liability.

Long-term obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligation account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund equity

Reserved fund balances indicate those portions of fund equity, which are not available for current appropriation or are legally segregated for specific use. Fund balances are reserved for future appropriation, encumbrances, prepaids, materials and supplies inventory, budget stabilization, anticipated arbitrage, and endowments. The unreserved portions of fund equity reflected for governmental funds are available for use within the specific purposes of those funds.

Interfund transactions

At June 30, 2000, the School District had interfund loans which are classified as “due to/due from”. This represented a loan from the general fund to the lunchroom fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from that fund, that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring and non-routine permanent transfers of equity are reported as residual equity transfers. All other inter fund transfers are reported as operating transfers.

Memorandum only - total columns

Total columns on the general purpose financial statements are captioned (memorandum only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Equity in Pooled Cash and Cash Equivalents:

The School District maintains a cash pool used by all funds. Each fund type’s portion of this pool is displayed in the combined balance sheet as “Equity in pooled cash and cash equivalents.” Cash and cash equivalents include cash deposits, certificates of deposit, U.S. Treasury Bills, and securities having an original maturity of less than 90 days.

Legal requirements: Statutes require 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 School District. Such monies must, by law, be maintained either as cash in the School District treasury, in depository accounts payable, in money market deposit accounts or be withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Inactive monies

Those monies not required for use within the current two-year period of designation of 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 designation of 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:

United States Treasury notes, bills, bonds, other obligations or securities issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;

Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to the following: federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal agencies or instrumentalities;

Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent, be marked to market daily, and the term of the agreement must not exceed thirty days;

Bonds and other obligations of the State of Ohio;

No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

The state treasurer's investment pool (STAR Ohio); and

Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage and 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.

Deposits

At fiscal year-end, the carrying amount of the School District's deposits was \$147,222 and the bank balance was \$262,645. Of the bank balance \$224,363 was covered by federal depository insurance and \$38,282 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool, operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Agencies	\$ 13,364,273	-	13,364,273	\$ 13,364,273
Repurchase Agreement	-	2,280,000	2,280,000	2,280,000
STAR Ohio	-	-	3,194,327	3,194,327
Total	<u>\$ 13,364,273</u>	<u>2,280,000</u>	<u>18,838,600</u>	<u>\$ 18,838,600</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statements No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 5,621,549	\$ 13,364,273
Investments:		
Repurchase Agreement	(2,280,000)	2,280,000
STAR Ohio	(3,194,327)	3,194,327
GASB Statement 3	<u>\$ 147,222</u>	<u>\$ 18,838,600</u>

4. Property Taxes:

Property taxes are levied and assessed on a calendar-year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the School District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed at 50% of market and the personal property of railroads which is assessed at 25% of market. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2000 taxes were collected was \$494,270,259. Agricultural and residential real estate represented 57.5% (\$284,156,100) of this total, commercial, industrial and public utility real estate represented 24.7% (\$122,092,060), public utility tangible 4.7% (\$23,426,540) and general tangible property 13.1% (\$64,595,559). The voted general tax rate for operations at the fiscal year ended June 30, 2000 was \$65.95 per \$1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20. If paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Delaware County Treasurer collects property tax on behalf of the School District. The County Auditor periodically remits to the School District its portions of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue except for those funds available for advance from the County Treasurer at June 30, 2000.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2000 are reflected as a reservation for future appropriations in fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue, in accordance with Ohio Revised Code Section 5705.35, since an advance of tax revenue was not received by the end of the fiscal year.

5. Receivables:

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full.

6. Fixed Assets:

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Balance July 1, 1999	Net Increases	Net Decreases	Balance June 30, 2000
Land	\$ 3,924,298	\$ 236,548	-	\$ 4,160,846
Building	36,339,127	11,178,832	-	47,517,959
Furniture, fixtures And equipment	11,403,725	662,122	137,001	11,928,846
	<u>\$ 51,667,150</u>	<u>\$ 12,077,502</u>	<u>\$ 137,001</u>	<u>\$ 63,607,651</u>

A summary of the proprietary fund fixed assets at June 30, 2000 follows:

Furniture and equipment	\$ 716,326
Less accumulated depreciation	363,746
Net fixed assets	<u>\$ 352,580</u>

7. Long-term Obligations:

Long term obligations at June 30, 2000 were as follows:

General Long-Term Obligations

	Balance June 30, 1999	Increase	Decrease	Balance June 30, 2000
General Obligation Bonds:				
School Construction 1994 5.245%	\$ 7,848,460	-	\$ 325,000	\$ 7,523,460
School Construction 1995 5.974%	18,689,306	-	635,000	18,054,306
School Construction 1998 5.532%	19,749,968	-	370,000	19,379,968
Total General Obligation Bonds	46,287,734	-	1,330,000	44,957,734
Energy Conservation Loan	310,000	-	50,000	260,000
Capital Lease Payable	111,548	-	111,548	-
Compensated Absences	1,392,663	-	59,308	1,333,355
Intergovernmental Payable	185,962	-	9,453	176,509
Total General Long-Term Obligations	<u>\$ 48,287,907</u>	-	<u>\$ 1,560,309</u>	<u>\$ 46,727,598</u>

The School District's voted legal debt margin was \$225,734 with an unvoted debt margin of the same amount at June 30, 2000.

The general obligation bond issues will be paid through the debt service fund from property taxes collected by the County Auditor. The District issued general obligation debt for the following purposes:

- \$9,098,460 in general obligations bonds, issued in fiscal year 1995 and maturing in fiscal year 2017, for the construction of an elementary school.
- \$19,899,306 in general obligations bonds, issued in fiscal year 1996 and maturing in fiscal year 2020, for the construction of a new middle and high school.
- \$19,749,968 in general obligations bonds, issued in fiscal year 1999 and maturing in fiscal year 2026, for the construction of a new middle school. The District has reserved \$115,000 of the Capital Projects Fund Type Fund Balance for anticipated arbitrage payment associated with this debt issue.

During fiscal year 1995, the District issued \$513,198 in notes to provide funds for energy conservation improvements. Savings realized in the general fund operations due to the energy conservation measures will be used for retirement of these obligations. Interest is payable in semi-annual installments at a rate of 5.95% a year through 2004.

The capital lease obligation was retired in fiscal year 2000 with revenues from the permanent improvement capital projects fund. Compensated absences will be paid from the fund from which the person is paid if the funds are available, otherwise, from the General Fund. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2000 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2001	\$ 1,550,000	\$ 2,158,110	\$ 3,708,110
2002	1,630,000	2,090,315	3,720,315
2003	1,725,000	2,016,740	3,741,740
2004	1,870,000	1,936,123	3,806,123
2005	1,600,000	1,857,095	3,457,095
2006 and thereafter	36,582,734	26,530,485	63,113,219
Total	\$44,957,734	\$36,588,868	\$81,546,602

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2000 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2001	\$50,000	\$ 13,983	\$63,983
2002	50,000	11,008	61,008
2003	50,000	8,033	58,033
2004	55,000	6,545	61,545
2005	55,000	-	55,000
Total	\$260,000	\$39,569	\$ 299,569

8. Segment Information - Enterprise Funds:

The District maintains four enterprise funds to account for the operations of food service, uniform supply, bus maintenance and child care. The table marked Segment Information reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the Delaware City School District as of and for the year ended June 30, 2000.

	Lunchroom Fund	Bus Maintenance Service	Child Care Fund	Total
Operating revenues	\$ 671,993	14,022	479,905	1,165,920
Operating expenses:				
Depreciation	34,080	-	-	34,080
Other expenses	923,335	12,688	519,973	1,455,996
Total operating expenses	957,415	12,688	519,973	1,490,076
Operating income (loss)	(285,422)	1,334	(40,068)	(324,156)
Non operating revenues				
And expenses:				
Operating grants	215,837	-	-	215,837
Other	(1,957)	-	4,174	2,217
Transfers	-	-	-	-
Commodities	30,443	-	-	30,443
Net income (loss)	(41,099)	1,334	(35,894)	(75,659)
Net working capital	(43,499)	-	25,704	(17,795)
Encumbrances	-	-	-	-
Capital acquisitions	2,381	-	2,164	4,545
Total assets	428,748	1,334	108,750	538,832
Total equity	\$ 249,738	1,334	24,610	275,682

9. Defined Benefit Pension Plans

The following information is provided for compliance with pension plan disclosure requirements in Governmental Accounting Standards Board (GASB) Statement No. 27, paragraph 20:

School Employees Retirement System

Plan Description The Delaware City School 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 state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 N Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Funding Policy Plan members are required to contribute 9% of their annual covered salary and Delaware City School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions to SERS for the years ended June 30, 2000, 1999, and 1998 were \$2,120,544, \$1,713,912, and \$1,566,037, respectively, equal to the required contributions for each year; 84 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$343,425 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

State Teachers Retirement System

- A. State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.
- B. STRS Ohio is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by using a base percentage of 2.1% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service

credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached.

Legislation passed in April 2000 with a July 1999 effective date provided an adjustment for retirees whose benefits have not kept pace with the rate of inflation. The legislation also changed the formula for calculating the formula benefit. The formula benefit increased to 2.2% from 2.1% per year for all years up to 30 years. For members with 35 or more years of earned Ohio service, the first 30 years will be calculated at 2.5% instead of 2.2%. For earned Ohio service over 30 years, the formula will remain as current law, which provides an escalating formula of 2.5% for the 31st year, 2.6% for the 32nd, 2.7% for the 33rd year, etc., until 100% of final average salary is reached.

Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Full-time faculty with less than five years of service credit have a one-time option to select an ARP instead of STRS Ohio. Employees hired after the ARP is established have 90 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the amount of the change on the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of 3% of the original base benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians’ fees, drugs and partial reimbursement of monthly Medicare premiums.

A member with five or more years’ credited service who becomes disabled is entitled to a disability benefit. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members’ beneficiaries.

Benefits are established by Chapter 3307, Revised Code.

- B. Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions 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.
- C. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2000, were 9.3% of covered payroll for members and 14% for employers. Employer contributions actually made should be determined from employer records and disclosed in both dollar amounts and as a percentage of the employer's covered payroll for the current year and the two preceding years.
- D. STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2000 *Comprehensive Annual Financial Report* will be available after January 1, 2001, and can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

10. Post Employment Benefits

The following information is provided for compliance with disclosure requirements in Governmental Accounting Standards Board (GASB) Statement No. 12 regarding postemployment benefits other than pension benefits:

State Teachers Retirement System

- A. State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.
- B. The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.
- C. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the Board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001, and after, will be 4.5% of covered payroll.

- D. For the year ended June 30, 2000, net health care costs paid by STRS Ohio were \$283,137,000. There were 99,011 eligible benefit recipients.

School Employees Retirement System

- A. The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more 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.
- B. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45%. 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 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.
- C. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million.
- D. The number of benefit recipients currently receiving health care benefits is approximately 50,000.
- E. The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .0636, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

11. Budgetary Basis of Accounting:

While 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 and disbursements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis),
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis), and
- (c) In order to determine compliance with Ohio law and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for governmental funds are as follows:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types

	General Fund	Special Revenue	Debt Service	Capital Projects
GAAP basis	\$ 504,620	\$ 139,394	\$ (113,867)	\$ (11,868,496)
Increase (decrease):				
Due to revenues:				
Net adjustments to revenue accruals	425,198	44,126	241,294	121,068
Due to expenditures:				
Net adjustments to expenditure accruals	(157,928)	(59,974)	-	(3,814,966)
Due to other sources/uses	14,198	-	-	-
Budget basis	<u>786,088</u>	<u>123,546</u>	<u>127,427</u>	<u>\$ (15,562,394)</u>

12. Contingent Liabilities:

Grants

The School District receives significant financial assistance for numerous federal, state and local agencies in the form of grants. The disbursements 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 School District at June 30, 2000.

13. State School Funding Program

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school-funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides a significant amount of monetary support to the School District. During fiscal year ended June 30, 2000, the School District received \$9,992,514 in school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program. The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

14. Risk Management:

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2000, the District contracted with Nationwide Insurance Company for general liability insurance with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate limit. Property is also protected by Nationwide Insurance and holds a \$2,500 deductible. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

15. Operating Lease Commitments:

The District leases duplicating equipment for the district under non-cancelable operating leases with five-year terms. Annual lease expenditures for the year ended June 30, 2000 totaled \$156,201. The following is a schedule of minimum rentals under these leases as of June 30, 2000:

Year ending June 30:	
2001	\$ 92,744
2002	30,874
2003	17,467
2004	422
Total minimum rental payments	<u>\$ 141,507</u>

16. Commitments:

At June 30, 2000, the District had signed contracts for the construction of a new middle school. The commitment on these construction contracts was approximately \$4,774,349.

17. Reclassifications:

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

18. Statutory Reserves:

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbook Acquisition</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set aside cash balance				
As of June 30, 1999	\$ -	-	957,954	957,954
Current year set aside requirement	672,908	672,908	163,559	1,509,375
Current year offsets	-	-	-	-
Qualifying disbursements	<u>(773,672)</u>	<u>(744,557)</u>	<u>-</u>	<u>(1,518,229)</u>
Total	<u>(100,764)</u>	<u>(71,649)</u>	<u>1,121,513</u>	<u>949,100</u>
Cash balance carried forward To FY2001	<u>-</u>	<u>-</u>	<u>1,121,513</u>	
Amount restricted for budget stabilization/restricted assets				<u>\$1,121,513</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for capital acquisitions, these extra amounts may not be used to reduce the set-aside requirement of future years. Excess disbursements related to the textbook reserve may be offset in future years.

19. Fund Balance/Retained Earnings Deficits:

Fund balances/retained earnings at June 30, 2000, included an individual fund deficit in the enterprise funds for food services for \$101,455.

DELAWARE CITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2000

Federal Grantor/ Pass Through Dept./ <u>Program Title</u>	Pass Through Entity <u>Number</u>	Federal CFDA <u>Number</u>	Cash <u>Receipts</u>	Non-Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Non-Cash <u>Disbursements</u>
U.S. Dept. Of Agriculture						
Pass-Through State Dept. of Education						
Food Distribution	31-6402047-A7	10.550	-	41,131	-	37,360
Nutrition Cluster:						
School Breakfast	31-6402047-A7	10.553	9,699	-	9,699	-
National School Lunch Program	31-6402047-A7	10.555	194,055	-	194,055	-
Total Nutrition Cluster			<u>203,754</u>	<u>-</u>	<u>203,754</u>	<u>-</u>
Total U.S. Dept. Of Agriculture			<u>203,754</u>	<u>41,131</u>	<u>203,754</u>	<u>37,360</u>
U.S. Dept. Of Education						
Pass-Through State Dept. of Education						
Chapter 1 - Educationally Deprived Children	31-6402047-A7	84.010	277,548	-	229,224	-
Special Education Cluster:						
Title VI-B-Handicapped State Gra	31-6402047-A7	84.027	341,503	-	269,139	-
Special Education Preschool Gran	31-6402047-A7	84.173	24,267	-	25,653	-
Total Special Education Cluster			<u>365,770</u>	<u>-</u>	<u>294,792</u>	<u>-</u>
Chapter 2 - Federal, State & Local Partnership for Education Improv						
Math and Science Tech Investment	31-6402047-A7	84.164	19,451	-	17,960	-
Drug-Free Schools and Communities	31-6402047-A7	84.186	11,899	-	13,076	-
Title VI-R - Class Size Reduction Program	31-6402047-A7	84.340	18,245	-	-	-
Total Dept. Of Education			<u>702,849</u>	<u>-</u>	<u>568,038</u>	<u>-</u>
			<u>\$ 906,603</u>	<u>41,131</u>	<u>771,792</u>	<u>37,360</u>

Significant accounting policy - the accompanying schedule of expenditures of federal awards has been prepared on the cash basis of accounting

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**Independent Auditors' Report on Compliance and on Internal
Control over Financial Reporting Based on an Audit of General Purpose
Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Education
Delaware City School District
Delaware, Ohio

We have audited the general purpose financial statements of the Delaware City School District (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated October 18, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 general purpose 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 noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we reported to management of the District in a separate letter dated October 18, 2000.

Internal Controls 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 general purpose 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 general purpose 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated October 18, 2000.

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

Clark, Sebafer, Harkett & Co.

Columbus, Ohio
October 18, 2000

Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**Independent Auditors' Report on Compliance
with Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance
with OMB Circular A-133**

Board of Education
Delaware City School District
Delaware, Ohio

Compliance

We have audited the compliance of the Delaware 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, 2000. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
October 18, 2000

DELAWARE CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - 133 SECTION .505
 June 30, 2000

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 noncompliance 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):	Title VI-B Handicapped State Grants, CFDA #84.027 Special Education Preschool Grant, CFDA #84.173
(d)(1)(vii)	Dollar Threshold: Type A\B Programs	Type A:>\$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

DELAWARE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A - 133 SECTION .505
June 30, 2000

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

DELAWARE CITY SCHOOL DISTRICT

Schedule of Prior Audit Findings and Questioned Costs
OMB Circular A – 133 Section .315 (b)

June 30, 2000

The prior audit disclosed no instances of noncompliance that were required to be reported in accordance with *Government Auditing Standards* or noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over financial reporting or internal controls over compliance were reported in the prior year.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

DELAWARE CITY SCHOOL DISTRICT

DELAWARE 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
JANUARY 16, 2001**