



**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Delaware City School District
Delaware County
248 North Washington Street
Delaware, Ohio 43015-1649

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Delaware City School District, Delaware County, Ohio (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Delaware City School District, Delaware County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2001 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.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for 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. We subjected this information 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.

JIM PETRO
Auditor of State

October 31, 2001

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DELAWARE CITY SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Assets and Other Debits:</u>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 5,761,312	\$ 691,027	\$ 773,269	\$ 3,821,685
Investments	1,502,335	-	-	-
Cash and Cash Equivalents in Segregated Accounts	-	-	-	274,538
Receivables:				
Taxes	16,962,056	-	3,564,453	976,830
Accounts	12,143	2,718	-	-
Intergovernmental	10,677	32,891	-	-
Interest	42,035	-	1,660	13,090
Interfund	24,480	-	-	-
Prepaid Items	54,393	-	-	-
Supplies Inventory	97,890	-	-	-
Inventory Held for Resale	-	-	-	-
Fixed Assets	-	-	-	-
Other Debits:				
Amount Available in General Obligation Bond Retirement Fund	-	-	-	-
Amount to be Provided for Retirement of General Long Term Obligations	-	-	-	-
Total Assets and Other Debits	\$ 24,467,321	\$ 726,636	\$ 4,339,382	\$ 5,086,143
<u>Liabilities, Fund Equity and Other Credits</u>				
Liabilities:				
Accounts Payable	\$ 208,081	\$ 100,757	\$ -	\$ 132,303
Accrued Wages and Benefits	2,512,098	115,129	-	-
Intergovernmental Payable	477,953	12,809	-	-
Interfund Payable	-	-	-	-
Due to Students	-	-	-	-
Deferred Revenue	13,980,723	-	2,905,397	825,885
Compensated Absences Payable	157,536	-	-	-
Notes Payable	-	-	-	-
Capital Lease Obligation	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	17,336,391	228,695	2,905,397	958,188
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	316,488	41,149	-	1,221,226
Reserved for Supplies Inventory	97,890	-	-	-
Reserved for Taxes	2,981,333	-	659,056	150,945
Reserved for Anticipated Arbitrage	-	-	-	200,000
Reserved for Non-Expendable Trust	-	-	-	-
Reserved for Debt Service	-	-	774,929	-
Designated for Budget Stabilization	1,121,513	-	-	-
Unreserved	2,613,706	456,792	-	2,555,784
Total Fund Equity and Other Credits	7,130,930	497,941	1,433,985	4,127,955
Total Liabilities, Fund Equity and Other Credits	\$ 24,467,321	\$ 726,636	\$ 4,339,382	\$ 5,086,143

See accompanying notes to the general purpose financial statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$ 6,545	\$ 249,853	\$ -	\$ -	\$ 11,303,691
40,000	61,890	-	-	1,604,225
-	-	-	-	274,538
-	-	-	-	21,503,339
13,798	-	-	-	28,659
34,378	-	-	-	77,946
744	2,359	-	-	59,888
-	-	-	-	24,480
-	-	-	-	54,393
9,678	-	-	-	107,568
12,651	-	-	-	12,651
461,062	-	65,061,278	-	65,522,340
-	-	-	774,929	774,929
-	-	-	44,819,882	44,819,882
<u>\$ 578,856</u>	<u>\$ 314,102</u>	<u>\$ 65,061,278</u>	<u>\$ 45,594,811</u>	<u>\$ 146,168,529</u>
\$ 14,110	\$ 23,820	\$ -	\$ -	\$ 479,071
87,862	-	-	-	2,715,089
95,360	-	-	228,984	815,106
24,480	-	-	-	24,480
-	91,924	-	-	91,924
12,651	-	-	-	17,724,656
38,533	-	-	1,627,526	1,823,595
-	-	-	210,000	210,000
-	-	-	120,567	120,567
-	-	-	43,407,734	43,407,734
<u>272,996</u>	<u>115,744</u>	<u>-</u>	<u>45,594,811</u>	<u>67,412,222</u>
-	-	65,061,278	-	65,061,278
509,973	-	-	-	509,973
(204,113)	-	-	-	(204,113)
-	3,785	-	-	1,582,648
-	-	-	-	97,890
-	-	-	-	3,791,334
-	-	-	-	200,000
-	74,179	-	-	74,179
-	-	-	-	774,929
-	-	-	-	1,121,513
-	120,394	-	-	5,746,676
<u>305,860</u>	<u>198,358</u>	<u>65,061,278</u>	<u>-</u>	<u>78,756,307</u>
<u>\$ 578,856</u>	<u>\$ 314,102</u>	<u>\$ 65,061,278</u>	<u>\$ 45,594,811</u>	<u>\$ 146,168,529</u>

DELAWARE CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	
Revenues:						
Taxes	\$ 17,155,970	\$ -	\$ 3,600,202	\$ 963,194	\$ -	\$ 21,719,366
Intergovernmental	10,462,147	1,792,746	354,678	106,581	-	12,716,152
Interest	603,002	-	80,873	182,570	796	867,241
Tuition and Fees	199,426	-	-	-	-	199,426
Extracurricular Activities	-	329,204	-	-	-	329,204
Gifts and Donations	-	9,578	-	-	105,800	115,378
Miscellaneous	221,665	61,095	-	3,498	67,495	353,753
Total Revenues	28,642,210	2,192,623	4,035,753	1,255,843	174,091	36,300,520
Expenditures:						
Current:						
Instruction:						
Regular	12,796,894	706,322	-	341,693	198,314	14,043,223
Special	3,010,141	596,491	-	-	-	3,606,632
Vocational	233,794	-	-	1,900	-	235,694
Other	242,534	-	-	-	-	242,534
Support Services:						
Pupils	1,640,723	83,067	-	-	6,486	1,730,276
Instructional Staff	1,646,822	325,067	-	123,745	-	2,095,634
Board of Education	173,290	-	-	-	-	173,290
Administration	1,939,032	117,365	-	197,415	-	2,253,812
Fiscal	662,809	-	58,388	19,046	-	740,243
Business	218,060	-	-	265,167	-	483,227
Plant Operation and Maintenance	3,060,237	19,929	-	61,426	-	3,141,592
Pupil Transportation	1,403,077	608	-	175,331	-	1,579,016
Central	120,236	13,995	-	-	-	134,231
Non-Instructional Services	-	11,181	-	-	5,000	16,181
Extracurricular Activities	699,126	346,465	-	-	-	1,045,591
Capital Outlay	1,881	-	-	4,479,192	-	4,481,073
Debt Service:						
Principal Retirement	50,000	-	1,550,000	17,351	-	1,617,351
Interest and Fiscal Charges	13,983	-	2,158,110	7,819	-	2,179,912
Total Expenditures	27,912,639	2,220,490	3,766,498	5,690,085	209,800	39,799,512
Excess of Revenues Over(Under) Expenditures	729,571	(27,867)	269,255	(4,434,242)	(35,709)	(3,498,992)
Other Financing Sources (Uses):						
Inception of Capital Lease	-	-	-	137,918	-	137,918
Operating Transfers-In	-	20,000	-	-	-	20,000
Operating Transfers-Out	(20,000)	-	-	-	-	(20,000)
Total Other Financing Sources (Uses)	(20,000)	20,000	-	137,918	-	137,918
Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	709,571	(7,867)	269,255	(4,296,324)	(35,709)	(3,361,074)
Fund Balance at Beginning of Year - Restated	6,421,069	505,808	1,164,730	8,424,279	156,592	16,672,478
Increase (Decrease) in Reserve for Inventory	290	-	-	-	-	290
Fund Balance at End of Year	\$ 7,130,930	\$ 497,941	\$ 1,433,985	\$ 4,127,955	\$ 120,883	\$ 13,311,694

See accompanying notes to the general purpose financial statements

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DELAWARE CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Taxes	\$ 15,919,721	\$ 15,952,639	\$ 32,918	\$ -	\$ -	\$ -
Intergovernmental	10,445,476	10,453,120	7,644	1,861,732	1,759,855	(101,877)
Interest	684,823	684,823	-	-	-	-
Tuition and Fees	206,852	208,531	1,679	-	-	-
Extracurricular Activities	-	-	-	324,616	327,353	2,737
Gifts and Donations	-	-	-	9,568	9,578	10
Miscellaneous	202,569	215,549	12,980	59,899	60,229	330
Total Revenues	27,459,441	27,514,662	55,221	2,255,815	2,157,015	(98,800)
Expenditures:						
Current:						
Instruction:						
Regular	12,602,618	12,602,090	528	891,081	729,625	161,456
Special	3,010,561	3,010,561	-	709,521	582,773	126,748
Vocational	232,510	232,510	-	-	-	-
Other	256,966	256,966	-	-	-	-
Support Services:						
Pupils	1,636,861	1,636,861	-	118,786	78,935	39,851
Instructional Staff	1,685,437	1,685,416	21	526,615	330,139	196,476
Board of Education	199,977	199,977	-	-	-	-
Administration	1,916,058	1,916,058	-	125,763	121,872	3,891
Fiscal	666,955	666,955	-	-	-	-
Business	220,428	220,428	-	-	-	-
Plant Operation and Maintenance	3,230,851	3,230,532	319	42,863	21,472	21,391
Pupil Transportation	1,436,898	1,436,898	-	4,928	608	4,320
Central	132,235	132,235	-	14,375	14,375	-
Non-Instructional Services	-	-	-	18,891	11,285	7,606
Extracurricular Activities	693,638	693,638	-	347,533	347,533	-
Capital Outlay	1,881	1,881	-	-	-	-
Debt Service:						
Principal Retirement	50,000	50,000	-	-	-	-
Interest and Fiscal Charges	13,983	13,983	-	-	-	-
Total Expenditures	27,987,857	27,986,989	868	2,800,356	2,238,617	561,739
Excess of Revenues Over(Under) Expenditures	(528,416)	(472,327)	56,089	(544,541)	(81,602)	462,939
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	523	523	-	-	-	-
Operating Transfers-In	13,709	13,709	-	65,253	20,000	(45,253)
Operating Transfers-Out	(20,000)	(20,000)	-	-	-	-
Total Other Financing Sources (Uses)	(5,768)	(5,768)	-	65,253	20,000	(45,253)
Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	(534,184)	(478,095)	56,089	(479,288)	(61,602)	417,686
Fund Balance at Beginning of Year - Restated	6,955,550	6,955,550	-	564,064	564,064	-
Prior Year Encumbrances Appropriated	374,323	374,323	-	86,343	86,343	-
Fund Balance at End of Year	\$ 6,795,689	\$ 6,851,778	\$ 56,089	\$ 171,119	\$ 588,805	\$ 417,686

See accompanying notes to the general purpose financial statements

DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 3,407,101	\$ 3,406,731	\$ (370)	\$ 915,675	\$ 917,458	\$ 1,783
354,678	354,678	-	106,581	106,581	-
81,441	81,441	-	456,166	456,166	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,498	3,498	-
<u>3,843,220</u>	<u>3,842,850</u>	<u>(370)</u>	<u>1,481,920</u>	<u>1,483,703</u>	<u>1,783</u>
-	-	-	458,228	458,228	-
-	-	-	-	-	-
-	-	-	1,900	1,900	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	208,528	103,257	105,271
-	-	-	-	-	-
-	-	-	198,165	198,165	-
58,388	58,388	-	19,046	19,046	-
-	-	-	159,235	159,235	-
-	-	-	63,521	63,521	-
-	-	-	394,427	394,427	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	6,970,362	6,970,362	-
1,550,000	1,550,000	-	-	-	-
2,158,110	2,158,110	-	-	-	-
<u>3,766,498</u>	<u>3,766,498</u>	<u>-</u>	<u>8,473,412</u>	<u>8,368,141</u>	<u>105,271</u>
<u>76,722</u>	<u>76,352</u>	<u>(370)</u>	<u>(6,991,492)</u>	<u>(6,884,438)</u>	<u>107,054</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
76,722	76,352	(370)	(6,991,492)	(6,884,438)	107,054
696,916	696,916	-	4,425,058	4,425,058	-
-	-	-	5,230,615	5,230,615	-
<u>\$ 773,638</u>	<u>\$ 773,268</u>	<u>\$ (370)</u>	<u>\$ 2,664,181</u>	<u>\$ 2,771,235</u>	<u>\$ 107,054</u>

DELAWARE CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
	ENTERPRISE	NON -EXPENDABLE TRUST	
Operating Revenues:			
Sales	\$ 716,355	\$ -	\$ 716,355
Tuition	538,413	-	538,413
Charges for Services	63,019	-	63,019
Interest	-	4,168	4,168
Miscellaneous	1,516	-	1,516
Total Operating Revenues	<u>1,319,303</u>	<u>4,168</u>	<u>1,323,471</u>
Operating Expenses:			
Salaries	847,039	-	847,039
Fringe Benefits	234,051	-	234,051
Purchased Services	60,561	-	60,561
Materials and Supplies	534,648	22	534,670
Depreciation	45,661	-	45,661
Other Operating Expenses	-	2,698	2,698
Total Operating Expenses	<u>1,721,960</u>	<u>2,720</u>	<u>1,724,680</u>
Operating Income (Loss)	<u>(402,657)</u>	<u>1,448</u>	<u>(401,209)</u>
Non-Operating Revenues (Expenses):			
Federal Donated Commodities	46,380	-	46,380
Federal and State Subsidies	232,064	-	232,064
Interest	1,481	-	1,481
Interest and Fiscal Charges	(1,469)	-	(1,469)
Other Non-Operating Revenue	236	-	236
Total Non-Operating Revenues (Expenses)	<u>278,692</u>	<u>-</u>	<u>278,692</u>
Net Income (Loss)	(123,965)	1,448	(122,517)
Retained Earnings at Beginning of Year	<u>(80,148)</u>	<u>76,027</u>	<u>(4,121)</u>
Retained Earnings at End of Year	<u>(204,113)</u>	<u>77,475</u>	<u>(126,638)</u>
Contributed Capital at Beginning of Year	355,830	-	355,830
Changes in Contributed Capital During Year	<u>154,143</u>	<u>-</u>	<u>154,143</u>
Contributed Capital at End of Year	<u>509,973</u>	<u>-</u>	<u>509,973</u>
Total Fund Equity at End of Year	<u>\$ 305,860</u>	<u>\$ 77,475</u>	<u>\$ 383,335</u>

See accompanying notes to the general purpose financial statements

DELAWARE CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
	ENTERPRISE	NON -EXPENDABLE TRUST	
<u>Increase(decrease) in cash and cash Equivalents</u>			
Cash flows from operating activities:			
Cash received from customers	\$ 1,315,109	\$ -	\$ 1,315,109
Cash payment for employee services and benefits	(1,064,513)	-	(1,064,513)
Cash payment for goods and services	(543,924)	-	(543,924)
Other operating expenses	-	(2,720)	(2,720)
Net cash used for operating activities	(293,328)	(2,720)	(296,048)
Cash flows from noncapital financing activities:			
Federal and state subsidies	197,686	-	197,686
Cash flows from capital and related financing activities:			
Principal paid on interfund payable	(12,240)	-	(12,240)
Interest paid on interfund payable	(1,469)	-	(1,469)
Net cash used for capital and related financing activities	(13,709)	-	(13,709)
Cash flows from investing activities:			
Interest	737	3,659	4,396
Purchase of investment	(40,000)	(61,890)	(101,890)
Net cash used for investing activities	(39,263)	(58,231)	(97,494)
Net decrease in cash and cash equivalents	(148,614)	(60,951)	(209,565)
Cash and cash equivalents at beginning of year	155,159	74,178	229,337
Cash and cash equivalents at end of year	6,545	13,227	19,772
<u>Reconciliation of operating loss to net cash used for operating activities</u>			
Operating income (loss)	(402,657)	1,448	(401,209)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	45,661	-	45,661
Donated commodities received	46,380	-	46,380
Interest reported as operating income	-	(4,168)	(4,168)
Changes in assets and liabilities:			
Increase in accounts receivables	(4,430)	-	(4,430)
Decrease in materials and supplies inventory	1,366	-	1,366
Increase in accounts payable	3,539	-	3,539
Increase in accrued wages and benefits	7,687	-	7,687
Decrease in interfund payable	(12,240)	-	(12,240)
Decrease in compensated absences	(9,664)	-	(9,664)
Increase in deferred revenue	1,970	-	1,970
Increase in intergovernmental payable	18,554	-	18,554
Net cash used for operating activities	\$ (303,834)	\$ (2,720)	\$ (306,554)
Noncash Item:			
Enterprise fixed assets contributed by capital project funds		\$ 154,143	
Cash and cash equivalents - all fiduciary funds			
		\$ 249,853	
Cash and cash equivalents - expendable trust funds and agency funds			
		(236,626)	
Cash and cash equivalents - non-expendable trust fund			
		\$ 13,227	

See accompanying notes to the general purpose financial statements

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**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Delaware City School District (School District) operates under a locally-elected five member board form of government and provides educational services as authorized by state and, or federal agencies. This board controls the School District's eight instructional/support facilities staffed by 204 non-certificated employees, 280 certificated employees and 18 administrative employees to provide services to a student enrollment of 4,276 students.

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-year terms.

The School District serves an area of approximately 41 square miles within 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 intermediate school, 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 not legally separate from the School District, which provide various services including instruction, student guidance, extracurricular activities, educational media and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

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.

The District is associated with two organizations, which are defined as jointly governed. These organizations include the Tri-Rivers Educational Computer Association and the Delaware County Joint Vocational School. These organizations are presented in Note 16 to the general-purpose financial statements.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group 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.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

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

General Fund - This 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. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 obligation principal, interest, and related costs.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds – Capital project funds are used to account for financial resources to be used for major equipment purchases and major capital improvement projects (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types

Proprietary funds are used to account for a School District's ongoing activities that are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds – The enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

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. The School District's fiduciary funds include expendable trust, non-expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The non-expendable trust fund is accounted for in essentially the same manner as proprietary 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 the general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group – This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds or trust funds.

General Long-Term Obligations Account Group – This account is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds or trust funds.

Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 are generally included in the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All enterprise funds and the non-expendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation 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. Enterprise and non-expendable trust funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, investment earnings, grants, tuition and student fees.

The School District reports deferred revenues in 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. In a subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of June 30, 2001, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds and the non-expendable trust funds. Revenues are recognized when they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of control is at the fund, function and object level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

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

Estimated Resources

Prior to April 1, the Board 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 the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution 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. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter function appropriations within a fund or alter object appropriation within a function must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The budget figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all amendments and modifications. The School District made several amendments to appropriations during fiscal year 2001.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditure for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is deposited into a central bank account. Monies for all funds are pooled in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2001, investments consisted of government securities, certificates of deposit, repurchase agreements and STAR Ohio.

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

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District has invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

For the purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

The School District has allocated interest according to Ohio statutes. Interest credited to the general fund during fiscal year 2001 amounted to \$603,002, which includes \$301,599 assigned from other funds. Interest was also recorded in the debt service, capital projects, expendable trust, enterprise and non-expendable trust funds in the amounts of \$80,873, \$182,570, \$796, \$1,481 and \$4,168, respectively.

Supplies Inventory

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental fund indicating that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the enterprise funds consist of donated food, purchased food, and non-food supplies and are expensed when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items by using the consumption method and recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Short-Term Interfund Receivables/Payables

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term loans are classified as "interfund receivables/payables".

For fiscal year 2001, an interfund receivable and payable have been recorded in the General Fund and the Food Service Enterprise Fund related to the repayment of funds advanced for the purchase of a new cash register system.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets and Depreciation

General fixed asset account group

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in the governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$300. The District does not have any infrastructure.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Interest incurred during construction of general fixed assets is also not capitalized. Assets in the general fixed asset account group are not depreciated.

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 to 50
Furniture, fixtures and minor equipment	5 to 12
Vehicles	4 to 6

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned when both of these conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued using the vesting method which states that the District will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the District provides a liability for accumulated, unpaid vacation time and sick leave for eligible employees in the period in which the employee becomes eligible to receive payment. The current portion of the unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, compensated absences are expensed when earned and the amount is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year end are considered not to have used current financial resources. Bonds, capital leases, and long-term notes payable are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds.

Reservations and Designations of Fund Equity

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances, supplies inventory, taxes, anticipated arbitrage payment, non-expendable trust principal and debt service.

In addition, during fiscal year 2001, requirements to maintain a budget stabilization account mandated by law were revised providing the School District with the opportunity to determine how to best use the funds accumulated. The School District has determine to maintain a budget stabilization account and therefore, this account is shown as designated fund balance instead of reserved fund balance to indicate that the School District made the determination to set these funds aside.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, 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.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District currently participates in several state and federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursement Grants

Special Revenue Funds

- Teacher Development
- Educational Management Information Systems
- Data Communications
- Ohio Reads
- Summer Intervention
- Safe School Helpline
- Title VI-B
- Title VI
- Title VI-R
- Title I

Capital Project Funds

- Video Distance Learning
- School Net Plus

Reimbursement Grants

Enterprise Funds

- National School Nutrition Programs

Grants and entitlements for governmental funds amounted to 35 percent of governmental fund revenue during the 2001 fiscal year.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expense in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Total Columns on General Purpose Financial Statements

Total columns on the General Purpose Financial Statements overview 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 cash flows 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.

3. RESTATEMENT OF FUND BALANCE

The School District determined funds previously reported as internal service funds would be more accurately reported as special revenue funds based on the criteria of the two fund types. The reclassification of these funds requires restatement of the special revenue fund type fund balance and the internal service fund type retained earnings at July 1, 2000. The beginning fund balance reported for the special revenue fund type reported on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances has been increased by \$13, 423 from \$492,385 previously reported to the restated amount of \$505,808. This change would have increased FY 2000 excess of revenue and other financing sources over expenditures and other financing uses in the special revenue fund type by \$7,231 and would have decreased net income in the internal service fund by \$7,231. The beginning fund balance reported for the special revenue fund type in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) was increased by the same amount from \$550,641 previously reported to the restated amount of \$564,064.

As the funds reclassified were the only funds previously reported within the internal service fund type, this fund type has not been presented within these statements.

4. 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 requires accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on debt obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The adjustments necessary to convert the results of operations for the year ended June 30, 2001 on the GAAP basis to the budget basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
<u>Governmental Fund Types</u>				
<u>General Funds</u>	<u>Revenue Fund</u>	<u>Special Service Fund</u>	<u>Debt Project Funds</u>	<u>Capital Fund</u>
GAAP Basis	\$ 709,571	\$ (7,867)	\$ 269,255	\$ (4,296,324)
Revenue accruals	(1,128,246)	(35,608)	(192,903)	227,860
Expenditure accruals	337,827	84,096	-	(1,353,067)
Encumbrances	(410,956)	(102,223)	-	(1,324,989)
Transfers in (out)	13,709	-	-	-
Capital Lease	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,918)</u>
Budget Basis	<u>\$(478,095)</u>	<u>\$(61,602)</u>	<u>\$ 76,352</u>	<u>\$(6,884,438)</u>

5. DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the District. Such monies must be maintained either as cash in the School Treasury, in depository accounts payable, or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may 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.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

5. DEPOSITS AND INVESTMENTS (Continued)

Category 3 consists of “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. Interim deposits must be evidenced by the certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

Interim monies may be invested in the following obligations:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the 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 governmental agencies or instrumentalities;
3. 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 and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer’s investment pool (STAR Ohio);
7. Certain bankers’ acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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, 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 School District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

5. DEPOSITS AND INVESTMENTS (Continued)

specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At fiscal year end, the carrying amount of the School District deposit was \$1,187,222 and the bank balance was \$1,271,416. Of the bank balance \$348,934 was covered by federal deposit insurance, \$900,000 was insured by an Ohio depository bond, and \$22,482 was uninsured and uncollateralized.

Investments

The School District's investments are categorized 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 or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the 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.

	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
U.S. Agencies	\$ 500,000	\$ 2,335	-	502,335	\$ 502,335
Repurchase Agreements	-	-	2,210,000	2,210,000	2,210,000
STAR Ohio	-	-	-	9,282,897	9,282,897
Total	\$ 500,000	\$ 2,335	2,210,000	11,995,232	\$11,995,232

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reported Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." Cash equivalents are defined to include investments with original maturities of three months or less.

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

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

5. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents	
	<u>Deposits</u>	<u>Investments</u>
GASB Statement 9	\$11,578,229	\$ 1,604,225
Investments of the Cash Management Pool:		
Repurchase agreements	(2,210,000)	2,210,000
STAR Ohio	(9,282,897)	9,282,897
Certificates of Deposit	<u>1,101,890</u>	<u>(1,101,890)</u>
 GASB Statement 3	 <u>\$ 1,187,222</u>	 <u>\$11,995,232</u>

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State Law at 35 percent of appraised market value. All property is required to be reevaluated every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Delaware City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended June 30, 2001 was \$65.54 per \$1,000 of assessed value. The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 First <u>Half Collections</u>	2001 Second <u>Half Collections</u>
Agricultural/residential		
And other real estate	\$ 406,248,160	\$ 424,235,410
Public utility personal	23,426,540	22,013,010
Tangible personal property	<u>64,595,559</u>	<u>75,063,709</u>
 Total	 <u>\$ 494,220,259</u>	 <u>\$ 521,312,129</u>

**DELAWARE CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2001**

6. PROPERTY TAXES (Continued)

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of June 30, 2001. Although total property tax collections for the next year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$2,981,333 in the General Fund, \$659,056 in the Bond Retirement Debt Service Fund and \$150,945 in the Permanent Improvement Capital Projects Fund. These amounts have been set aside as a reserve of fund balance.

7. RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the intergovernmental receivables follows:

<u>General Fund</u>	
Various school districts – disabled students	\$ 10,677
 <u>Special Revenue Funds</u>	
Federal government – Title VI(B)	32,891
 <u>Enterprise Fund</u>	
School nutrition program reimbursement	<u>34,378</u>
 Total Intergovernmental Receivable	 <u>\$ 77,946</u>

8. FIXED ASSETS

The July 1, 2000 beginning balance of the general fixed asset accounts have been adjusted to reflect an appraisal of the new middle school. A summary of these adjustments is as follows:

	<u>Balance at July 1, 2000</u>	<u>Adjustment for Appraisal Of Building</u>	<u>Adjusted Balance at July 1, 2000</u>
Land	\$ 4,160,846	\$ -	\$ 4,160,846
Buildings	47,517,959	(49,753)	47,468,206
Furniture, Fixtures & Equipment	<u>11,928,846</u>	<u>-</u>	<u>11,928,846</u>
Totals	<u>\$ 63,607,651</u>	<u>\$ (49,753)</u>	<u>\$ 63,557,898</u>

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

8. FIXED ASSETS (Continued)

Changes in general fixed assets during the fiscal year ended June 30, 2001 were as follows:

	<u>Adjusted Balance at July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2001</u>
Land	\$ 4,160,846	\$ -	\$ -	\$ 4,160,846
Buildings	47,468,206	-	-	47,468,206
Furniture, Fixtures & Equipment	<u>11,928,846</u>	<u>2,120,884</u>	<u>617,504</u>	<u>13,432,226</u>
Totals	<u>\$ 63,557,898</u>	<u>\$ 2,120,884</u>	<u>\$ 617,504</u>	<u>\$ 65,061,278</u>

A summary of the proprietary fund fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 870,469
Less: accumulated depreciation	<u>409,407</u>
Net fixed assets	<u>\$ 461,062</u>

9. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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. The report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent 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 contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$686,408, \$683,946, and \$552,794, respectively; 39.52 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$415,135 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds and the general long-term obligation account group.

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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 \$1000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1000 of \$2000 can be purchased. Various other benefits care available to members' beneficiaries.

Benefits are established by Chapter 3307, Revised Code.

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.

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. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$2,128,176, \$2,120,544, and \$1,713,912, respectively; 83.30 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$355,332 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

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. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive healthcare 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 Ohio 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. 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 coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For fiscal year ended June 30, 2000, the Board allocated employer contributions equal to 8 percent 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 percent of covered payroll. For the School District, this amount equaled \$1,608,334 during the 2001 fiscal year.

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.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

10. POSTEMPLOYMENT BENEFITS (Continued)

For SERS, the Ohio Revised Code gives 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 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit.

For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$488,111 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits of \$252.3 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000.

11. OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the District as a whole amounted to \$112,655 at June 30, 2001.

Accumulated Unpaid Sick Leave

District employees may accumulate sick leave. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum of sixty days for certified and classified employees. The total obligation for sick leave accrual for the District as a whole as of June 30, 2001 was \$1,710,940.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance Company for general liability insurance with a \$2 million single occurrence limit and a \$5 million 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 any part of the last three years.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

13. LEASE DISCLOSURE

Capital Leases

During fiscal year 2001 the School District had entered into several leases for a copier. The terms of the agreement provide an option to purchase the equipment. The leases meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one, which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the Combined Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in an amount equal to the present value of the future minimum lease payments at the time of acquisition. The copiers have a value of \$137,918 and are classified as equipment. A corresponding liability was recorded in the general long-term obligation account group. Principal payments in fiscal year 2001 totaled \$17,351.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	General Long- Term Debt
2002	\$ 33,559
2003	33,559
2004	33,558
2005	33,555
2006	8,387
Total Minimum Lease Payments	142,618
Less: Amount Representing Interest	(22,051)
Present Value of Minimum Lease Payments	\$ 120,567

Operating Leases 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, 2001 totaled \$92,744. The following is a schedule of minimum rental payments under these leases as of June 30, 2001:

Fiscal Year Ending June 30,	Minimum Rental Payments
2002	\$ 30,874
2003	17,467
2004	422
Total minimum rental payments	\$ 48,763

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

14. GENERAL LONG-TERM OBLIGATIONS

Long- term obligations at June 30, 2001 were as follows:

	Balance June 30, 2000	Increase	Decrease	Balance June 30, 2001
General Obligation Bonds:				
School Construction:				
1994 5.245%	\$7,523,460	\$ -	\$345,000	\$7,178,460
School Construction:				
1995 5.974%	18,054,306	-	690,000	17,364,306
School Construction				
1998 5.532%	19,379,968	-	515,000	18,864,968
Total General Obligation Bonds	44,957,734	-	1,550,000	43,407,734
Energy Conservation Note Payable	260,000	-	50,000	210,000
Compensated Absences	1,333,355	294,171	-	1,627,526
Capital Lease Obligation	-	137,918	17,351	120,567
Intergovernmental Payable	176,509	52,475	-	228,984
Total General Long-Term Obligations	\$46,727,598	\$ 484,564	\$ 1,617,351	\$ 45,594,811

The School District's voted legal debt margin was \$4,285,287 with an unvoted debt margin of \$521,312 at June 30, 2001.

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, issued in fiscal year 1995 and maturing in fiscal year 2017, for the construction of an elementary school.
- \$19,899,306, issued in fiscal year 1996 and maturing in fiscal year 2020, for the construction of a new middle and high school.
- \$19,749,968, issued in fiscal year 1999 and maturing in fiscal year 2026, for the construction of a new middle school. The School District has reserved \$200,000 of the Capital Projects fund type fund balance for anticipated arbitrage payment associated with this debt issue.

During fiscal year 1995, the School 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 the retirement of these obligations. Interest is payable in semi-annual installments at a rate of 5.95% a year through fiscal year 2004.

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

14. GENERAL LONG-TERM OBLIGATIONS (Continued)

The intergovernmental payable represents the long-term portion of the pension obligation payable to the School Employees Retirement System. Compensated absences represent the long-term portion of the accrued liability associated with sick and vacation leave. These items will be repaid from the funds from which the employees work to whom the liability is associated with or the General Fund if no such funds are available. The capital lease obligations are being repaid with revenues from the permanent improvement capital project fund.

Principal and interest requirements to retire the District's long-term obligations outstanding at June 30, 2001 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2002	\$1,680,000	\$2,101,323	\$3,781,323
2003	1,775,000	2,024,773	3,799,773
2004	1,925,000	1,941,031	3,866,031
2005	1,655,000	1,858,006	3,513,006
2006	1,142,985	2,354,070	3,497,055
2007 – 11	6,324,885	11,851,211	18,176,096
2012 – 16	10,289,864	8,115,605	18,405,469
2017-2021	12,115,000	3,330,848	15,445,848
Thereafter	6,710,000	878,750	7,588,750
Total	<u>\$43,617,734</u>	<u>\$34,455,617</u>	<u>\$78,073,351</u>

15. SEGMENT INFORMATION – ENTERPRISE FUNDS:

The School District maintains three enterprise funds to account for the operations of the food service, child care programs and bus maintenance. This table presents, in a summarized format, the more significant financial data relating to the enterprise funds of the School District as of and for the year ended June 30, 2001.

<u>Description</u>	<u>Food Service</u>	<u>Child Care</u>	<u>Bus Maintenance</u>	<u>Total</u>
Operating revenues	\$ 712,766	\$ 597,750	\$ 8,787	\$ 1,319,303
Operating expenses before depreciation	1,006,982	660,392	8,925	1,676,299
Depreciation expense	45,661	-	-	45,661
Operating loss	(339,877)	(62,642)	(138)	(402,657)
Donated commodities	46,380	-	-	46,380
Federal & state subsidies	232,064	-	-	232,064
Net loss	(62,903)	(60,924)	(138)	(123,965)
Fixed asset additions/ capital contributions	154,143	-	-	154,143
Net working capital	(7,158)	21,784	1,196	15,822
Compensated absences payable	31,299	7,234	-	38,533
Total assets	512,919	64,741	1,196	578,856
Total equity	340,979	(36,315)	1,196	305,860
Encumbrances outstanding at June 30, 2001	\$ 34	\$ 32,744	\$ -	\$ 32,778

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

16. JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA) which is a computer consortium. TRECA is an association of public schools within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of TRECA consists of one representative from each county elected by a majority vote of all charter member school districts within each county, one representative from the city school districts and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from Mike Carder, who serves as Director, at 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

Delaware Joint Vocational School

The Delaware Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school district's Board of Education. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from C. Lynn Starner, who serves as Treasurer, at 4565 Columbus Pike Road, Delaware, Ohio 43015.

17. CONTINGENT LIABILITIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require 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 adverse effect on the overall financial position of the School District.

Litigation

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

18. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

**DELAWARE CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2001**

18. STATE SCHOOL FUNDING DECISION (Continued)

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 1, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

19. SET-ASIDE DISCLOSURE

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional material, and for capital improvements. Amounts not spent by year-end or reduced by offsetting credits must be held in cash at year-end and carried forward to be used for the same purpose in future years. Excess of offsets and qualifying disbursements over the set-aside requirements during the year for textbooks and other instructional material may carry forward to the next year to reduce the set-aside requirements of future years.

	Textbooks	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2000	\$ (100,764)	\$ -	\$ (100,764)
Current Year Set-aside Requirement	629,756	629,756	1,259,512
Qualifying Disbursements	(780,131)	(847,797)	(1,627,928)
Total	(251,139)	(218,041)	(469,180)
Balance Carried Forward to FY 2001	\$ (251,139)	\$ -	

**DELAWARE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

19. SET-ASIDE DISCLOSURE (Continued)

Although the School District had qualifying disbursements during the year that reduced the set aside amount below zero for capital acquisitions, these extra amounts may not be used to reduce the set-aside requirement of future years.

Legislation passed has eliminated the requirement that school district maintain a budget stabilization account. However, the Board of Education has determined to designate the funds that had accumulated in this account over the past few years for purposes to be determined at a later date. Therefore, these funds have been shown as designated fund balance for the year ended June 30, 2001 in the amount of \$1,121,513.

20. CONTRACTUAL COMMITMENTS

As of June 2001, the School District had outstanding contracts for professional services as follows:

<u>Company</u>	<u>Amount Remaining On Contract</u>
Fanning & Howey Associates, Inc.	\$ 185,300
Corna & Kokosing Construction Co.	257,954
Farnham Equipment Co.	17,100
Firestone, Jarous & Mullin, Inc.	104,828
Gutknecht Construction Co.	102,161
Network Dynamics Cabling, Inc.	24,002
Rhodes Heating and Cooling	22,155
Vulcan Enterprises, Inc.	16,884

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution						
	NA	10.550	\$0	\$48,902	\$0	\$45,131
School Breakfast Program	043877-05-PU-99/00/01	10.553	6,985	0	6,985	0
National School Lunch Program	043877-03/04-PU-00/01	10.555	179,097		179,097	
<i>Total Nutrition Cluster/Total United States Department of Agriculture</i>			186,082	48,902	186,082	45,131
United States Department of Labor						
<i>Passed Through Ohio Department of Education:</i>						
Employment Services and Job Training Pilots - Demonstrations and Research						
	043877-STW-2000FED-00-CTC02	17.249	96,000	0	96,000	0
<i>Total United States Department of Labor</i>			96,000	0	96,000	0
United States Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States						
	043877-6B-SF-00P/01P	84.027	350,024	0	384,782	0
Special Education - Preschool Grant						
	043877-PG-S1-00P/2001P	84.173	24,231	0	22,223	0
Total Special Education Cluster			374,255	0	407,005	0
Title I Grants to Local Educational Agencies	043877-C1-S1-00C/2001	84.010	225,293	0	264,926	0
Safe and Drug-Free Schools and Communities - State Grants	043877-DR-S1-99C/00/2001	84.186	25,260		20,925	
Eisenhower Professional Development State Grants	043877-MS-S1-00/2000P/2001	84.281	23,990	0	12,223	0
Goals 2000 - State and Local Education Systematic Improvement Grants	043877-G2-S2-2000/2001	84.276	45,000	0	4,597	0
Innovative Educational Program Strategies	043877-C2-S1-99C/00/2001/2001A	84.298	54,110	0	44,618	0
Technology Literacy Challenge Fund Grants	043877	84.318	225,000	0	200,992	0
Class Size Reduction	043877-CR-S1-00/2001	84.340	62,135	0	55,817	0
<i>Total United States Department of Education</i>			1,035,043	0	1,011,103	0
United States Department of Health and Human Services						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program						
	043877	93.778	72,697	0	72,697	0
<i>Total United States Department of Health and Human Services</i>			72,697	0	72,697	0
Total Federal Awards Expenditures			\$1,389,822	\$48,902	\$1,365,882	\$45,131

The accompanying notes to this schedule are an integral part of this schedule.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Delaware City School District
Delaware County
248 North Washington Street
Delaware, Ohio 43015-1649

To the Board of Education:

We have audited the financial statements of the Delaware City School District, Delaware County, Ohio (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated October 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's 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 a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated October 31, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 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 do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 31, 2001.

Delaware City School District
Delaware County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the Financial Review Task Force, management, 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.

JIM PETRO
Auditor of State

October 31, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Delaware City School District
Delaware County
248 North Washington Street
Delaware, Ohio 43015-1649

To the Board of Education:

Compliance

We have audited the compliance of the Delaware City School District, Delaware County, Ohio (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 its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 its major federal program for the year ended June 30, 2001.

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 and use of the Financial Review Task Force, management, 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.

JIM PETRO
Auditor of State

October 31, 2001

DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>Un(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Special Education Cluster CFDA # 84.027/ 84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A\B Programs</i>	Type A > \$300,000 Type B - all other programs
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



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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
DECEMBER 13, 2001**