



Mary Taylor, CPA
Auditor of State

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware City School District, Delaware County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware City School District, Delaware County, Ohio, as of June 30, 2008 and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 November 21, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is 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 basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 21, 2008

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

The discussion and analysis of the Delaware City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

Overall:

- Total net assets increased by \$5.0 million, which represents a 52.6 percent increase from fiscal year 2007 due primarily to additional property tax revenue being received as well as a greater amount of property tax payments available advance at year-end to recognize as revenue for the year.
- Total assets of governmental activities increased \$1.1 million based on higher ending cash balance. The high cash balance was due to fiscal year 2008 being the first full year the revenue associated with the replacement property tax levy approved by voters in August of 2006 was received and continued emphasis on controlling costs.
- General revenues accounted for \$46.8 million or 85.1 percent of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions account for \$8.2 million or 14.9 percent of total revenues of \$55.0 million.
- Of the School District's \$49.9 million in expenses, only \$8.2 million were offset by program specific charges for services, grants or contributions. General revenues were used to cover the net expense of \$41.7 million.
- The General Fund, the School District's most significant fund, had an ending fund balance of \$8.2 million or 61.3 percent of the total ending fund balance for governmental funds. The other two major funds, the Debt Service and Permanent Improvement Funds, had \$1.9 million or 14.4 percent and \$2.1 million or 15.8 percent of the total ending fund balance for government funds, respectively.

Using the Basic Financial Statements

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. While the General Fund is by far the most significant fund at Delaware City School District, individual fund statements are also presented for the Debt Service and Permanent Improvement Funds since local property and other taxes are paid into these funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those net assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins after the statement of activities. The School District uses many funds to account for a multitude of financial transactions. All the funds of the School District can be divided into two categories: governmental and fiduciary funds. The School District does not have any funds which are classified as proprietary. The fund financial statements focus on the School District's most significant funds, and therefore only the major funds are presented separate from the other funds. For fiscal year 2008, the School District has three major governmental funds: the General, Debt Service and Permanent Improvement Funds.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Funds

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support programs of the School District. The accounting used for fiduciary funds is much like that in the district-wide financial statements.

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

TABLE 1
NET ASSETS

	<u>2008</u>	<u>Restated 2007</u>
<i>Assets:</i>		
Current and other Assets	\$ 44,981,203	\$ 43,277,970
Capital Assets	<u>38,870,738</u>	<u>39,486,922</u>
Total Assets	<u>83,851,941</u>	<u>82,764,892</u>
<i>Liabilities:</i>		
Long-Term Liabilities	38,904,678	41,082,244
Other Liabilities	<u>30,316,685</u>	<u>32,093,952</u>
Total Liabilities	<u>69,221,363</u>	<u>73,176,196</u>
<i>Net Assets:</i>		
Invested in Capital Assets, Net of Debt	3,581,105	2,980,233
Restricted	2,645,350	4,361,063
Unrestricted	<u>8,404,123</u>	<u>2,247,400</u>
Total Net Assets	<u>\$ 14,630,578</u>	<u>\$ 9,588,696</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2008, the School District's total net assets were \$14.6 million. Of that amount, approximately \$3.6 million was invested in capital assets, net of debt related to those assets. Another \$2.6 million was subject to external restrictions upon its use. The remaining \$8.4 million was unrestricted and available for future use as directed by the Board of Education and the School District's Administration. The increase in unrestricted net assets resulted primarily from fiscal year 2008 being the first full year additional property taxes revenues were received under the replacement emergency level approved by voters in August 2006 as well as increase values due to new construction. In addition, the County Auditor reported a larger amount of real property tax available for advance at June 30, 2008 compared to one year prior, which was recorded as revenue for the current year since it is accessible. Decreases in liabilities resulted from scheduled debt payments and less property tax revenue being reported as unearned revenue for fiscal year 2008.

Table 2 shows the changes in net assets for fiscal year 2008 as compared to those for fiscal year 2007.

**TABLE 2
CHANGES IN NET ASSETS**

	<u>2008</u>	<u>2007</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 2,592,433	\$ 2,400,900
Operating Grants and Contributions	5,580,763	3,169,533
Capital Grants and Contributions	22,002	63,547
General Revenues:		
Property Taxes	30,809,634	23,637,838
Grants and Entitlements	14,927,446	15,044,832
Other	1,030,016	1,013,762
Total Revenues	<u>54,962,294</u>	<u>45,330,412</u>
Program Expenses		
Instruction	27,168,529	25,485,850
Support Services:		
Pupil and Instructional Staff	5,182,538	4,867,337
Board of Education, Administration, Fiscal and Business	4,563,851	4,358,940
Plant Operation and Maintenance	4,557,649	4,565,253
Pupil Transportation	2,884,402	2,218,696
Central	135,834	157,974
Operation of Non-Instructional Services	1,619,968	1,316,479
Extracurricular Activities	1,171,598	1,111,859
Unallocated Depreciation	940,105	996,470
Interest and Fiscal Charges	1,695,938	1,684,221
Total Expenses	<u>49,920,412</u>	<u>46,763,079</u>
Increase in Net Assets	<u>\$ 5,041,882</u>	<u>\$ (1,432,667)</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 56 percent of revenues for governmental activities for the Delaware City School District for fiscal year 2008 compared with 52 percent for fiscal year 2007. This increase resulted from additional property taxes being reported as property tax revenue in fiscal year 2008 compared with one year before as well as the additional tax receipts the School District is receiving on the replacement levy approved in August of 2006.

While grants and entitlements reported for the year decreased slightly additional intergovernmental revenues sources were classified as operating grants and therefore reported as program revenues. Total program revenues associated with operating grants and contributions increased 76.1 percent over those reported for the previous year, primarily due to a change in the classification of certain revenue sources for fiscal year 2008.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services for each function for fiscal year 2008 as compared with fiscal year 2007.

TABLE 3
TOTAL AND COST OF PROGRAM SERVICES
GOVERNMENTAL ACTIVITIES (in 000's)

	2008		2007	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 27,169	\$ 22,762	\$ 25,486	\$ 22,453
Support Services:				
Pupil and Instructional Staff	5,182	4,452	4,867	4,178
Board of Education, Administration, Fiscal and Business	4,564	4,449	4,359	4,303
Plant Operation and Maintenance	4,558	4,526	4,565	4,504
Pupil Transportation	2,884	1,807	2,219	2,073
Central	136	120	158	143
Operation of Non-Instructional Services	1,620	73	1,316	(14)
Extracurricular Activities	1,171	900	1,112	808
Unallocated Depreciation	940	940	997	997
Interest and Fiscal Charges	1,696	1,696	1,684	1,684
Total Expenses	<u>\$ 49,920</u>	<u>\$ 41,725</u>	<u>\$ 46,763</u>	<u>\$ 41,129</u>

Total expenditures of the School District increased by 6.8 percent in fiscal year 2008 compared with the previous year. The majority of the School District's functional areas are driven by the cost of personnel (wages and fringe benefits). The efforts to maintain costs are affected by annual wage adjustments and the ever increasing cost of providing employees the necessary fringe benefits. While management is attempting to effectively manage fringe benefit costs in every manner possible, the increasing cost of healthcare insurance coverage makes cost containment difficult at best.

Expenses related to the area of student transportation increased by 30.0 percent from those reported in fiscal year 2007 due to significantly higher cost of fuel, maintenance and repairs in addition to the increases in personnel related costs. The increase in non-instructional expenses is due to a change in how the School District is required to record pass-through payments to community schools.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Unallocated depreciation represents current period depreciation charges associated with capital assets that are utilized by several different functions, typically school buildings and related improvements throughout the District. Depreciation expense on specific assets of a functional area is included in the expense reported for those functions.

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$55.5 million and expenditures of \$51.7 million. The net change in fund balance was most significant in the General Fund, an increase of \$3.7 million due primarily to additional tax revenue compared with one year before. This increase was attributed to fiscal year 2008 being the first full year of tax collection on the replacement levy as well as additional amounts of real estate tax available for advance from the County Auditor at year-end. With the increase, the overall fund balance reported in the General Fund increased to \$8.2 million, of which \$5.2 million was reserved for encumbrances and advances of property taxes, \$367,699 was designated by the School District for budget stabilization, and \$2.6 million was unreserved and undesignated.

Of the remaining two major funds, the Debt Service reported a \$177,869 increase in fund balance and the Permanent Improvement Fund reported a \$220,859 decrease in fund balance for fiscal year 2008.

General Fund Budgeting Highlights

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

For the General Fund, budget basis revenue was \$41.3 million as compared to the original budget estimates of \$39.6 million. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$38.9 million, or just approximately \$650,000 less than what was originally budgeted. As the revenue growth for the School District is limited, management continues its efforts to control spending in all areas possible.

As the budget for the General Fund is amended throughout the fiscal year for unanticipated revenues and expenditures, the final amended budget amounts approximate the actual budgetary results realized by the School District.

Capital Assets

At the end of fiscal year 2008, the School District had \$38.9 million invested in land, buildings, furniture and equipment, vehicles, and textbooks and library books in governmental activities. Table 4 shows fiscal year 2008 balances compared to 2007, however for greater detail readers should review Note 9 to the basic financial statements.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

TABLE 4
CAPITAL ASSETS AT JUNE 30

	2008	Restated 2007
Land	\$ 2,782,266	\$ 2,699,613
Construction in Progress	-	153,540
Buildings and Improvements	51,814,792	51,814,792
Equipment	2,764,172	1,982,517
Vehicles	3,124,381	2,858,167
Textbooks & Library Books	1,266,410	1,266,410
Less: Accumulated Depreciation	<u>(22,881,283)</u>	<u>(21,288,117)</u>
Total Net Capital Assets	<u>\$ 38,870,738</u>	<u>\$ 39,486,922</u>

Overall, net capital assets decreased \$616,184 from fiscal year 2007. This decrease in net capital assets results from the current year depreciation expense being a greater amount than current year acquisition of capital assets. As a result of a complete physical inventory of the School District's capital assets, the carrying value of the capital assets was adjusted at the beginning of fiscal year 2008 from the \$41.9 million reported in the prior year to \$39.5 million, see Note 3 for additional details related to this adjustment.

During fiscal year 2008, the School District acquired a parcel of land costing \$82,653, vehicles with a total purchase price of \$528,092 (primarily six new school buses), and various pieces of equipment, including security systems and computers, which totaled \$781,655. Depreciation expense for the year totaled \$1,855,044.

Cost associated with repair and maintenance of the School District's facilities and other assets that do not extend the useful life of the capitalized item, is included within the plant operation and maintenance function.

Debt Administration

At June 30, 2008, the School District had six general obligation bond issues outstanding with a combined outstanding principal of \$37.3 million, of which \$2.3 million is due within one year. Three of the bond issues were issued in the 1990's to provide financing for school building construction or improvement projects. The other three bond issues were used to advance refund portions of the school construction bonds mentioned above to achieve savings on reduced debt service payments in the future.

Other significant obligations include \$222,242 of capital lease obligations associated with the acquisition of copiers that are being utilized throughout the School District, and \$1.3 million of long-term compensated absences for employees who are likely to receive their leave balance as severance payment when they retire, but are not expected to retire in the near future.

Total long-term obligations of the School District were \$38.9 million at June 30, 2008 with approximately \$2.5 million being due within one year.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

At June 30, 2008, the School District's overall legal debt margin was \$29.8 million and the unvoted debt margin was \$727,148.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Notes 14 and 15 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Delaware City School District, 248 North Washington Street, Delaware, OH 43015 or call (740) 833-1100.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 13,968,354
Investments	4,841
Materials and supplies inventory	97,651
Accrued interest receivable	23,970
Accounts receivable	36,725
Intergovernmental receivable	565,466
Prepaid items	118,219
Property and other local taxes receivables	29,777,274
Unamortized bond issuance costs	388,703
Capital assets:	
Non-depreciable	2,782,266
Depreciable, net of accumulated depreciation	36,088,472
 Total Assets	 83,851,941
Liabilities:	
Accounts payable	997,863
Accrued wages and benefits payable	4,940,839
Intergovernmental payable	1,214,225
Accrued interest payable	105,524
Matured compensated absences payable	108,282
Unearned revenue	22,949,952
Long Term Liabilities:	
Due within one year	2,531,683
Due in more than one year	36,372,995
 Total Liabilities	 69,221,363
Net Assets:	
Invested in capital assets, net of related debt	3,581,105
Restricted for:	
Debt service	18,471
Capital projects	2,154,777
Perpetual care:	
Expendable	905
Nonexpendable	4,200
Other purposes	466,997
Unrestricted	8,404,123
 Total Net Assets	 \$ 14,630,578

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for services & sales	Operating grants and contributions	Capital grants and contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 20,402,113	\$ 1,210,439	\$ 806,249	\$ -	\$ (18,385,425)
Special	4,862,505	-	2,277,760	-	(2,584,745)
Vocational	322,964	-	21,013	-	(301,951)
Other	1,580,947	-	90,757	-	(1,490,190)
Support Services:					
Pupils	2,260,802	-	31,123	-	(2,229,679)
Instructional staff	2,921,736	-	699,318	-	(2,222,418)
Board of education	219,277	-	-	-	(219,277)
Administration	2,845,860	55,580	59,049	-	(2,731,231)
Fiscal	1,074,402	-	-	-	(1,074,402)
Business	424,312	-	-	-	(424,312)
Operation and maintenance of plant	4,557,649	7,645	24,000	-	(4,526,004)
Pupil transportation	2,884,402	144,916	910,588	22,002	(1,806,896)
Central	135,834	-	16,137	-	(119,697)
Operation of non-instructional services	1,619,968	906,022	641,047	-	(72,899)
Extracurricular activities	1,171,598	267,831	3,722	-	(900,045)
Interest and fiscal charges	1,695,938	-	-	-	(1,695,938)
Unallocated depreciation *	940,105	-	-	-	(940,105)
Total Governmental Activities	\$ 49,920,412	\$ 2,592,433	\$ 5,580,763	\$ 22,002	(41,725,214)

General Revenues:

Property taxes and other local taxes:

Levied for General Purposes	25,398,068
Levied for Capital Outlay	1,896,292
Levied for Debt Service	3,515,274
Grants and entitlements not restricted to specific programs	14,927,446
Investment earnings	653,606
Miscellaneous	376,410

Total General Revenues 46,767,096

Changes in net assets 5,041,882

Net assets at beginning of year (restated - see Note 3) 9,588,696

Net assets at end of year \$ 14,630,578

* - This amount excludes the depreciation that is included in the direct expense of the various functions.

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 9,075,956	\$ 1,228,407	\$ 2,238,311	\$ 1,425,680	\$ 13,968,354
Investments	-	-	-	4,841	4,841
Materials and supplies inventory	78,863	-	-	18,788	97,651
Accrued interest receivable	19,169	-	4,718	83	23,970
Accounts receivable	14,759	-	-	21,966	36,725
Intergovernmental receivable	-	-	-	565,466	565,466
Prepaid items	118,219	-	-	-	118,219
Property and other local taxes receivable	<u>24,562,298</u>	<u>3,351,728</u>	<u>1,863,248</u>	<u>-</u>	<u>29,777,274</u>
Total Assets	\$ 33,869,264	\$ 4,580,135	\$ 4,106,277	\$ 2,036,824	\$ 44,592,500
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 413,103	\$ -	\$ 516,510	\$ 68,250	\$ 997,863
Accrued wages and benefits	4,610,173	-	-	330,666	4,940,839
Intergovernmental payable	1,059,190	-	-	155,035	1,214,225
Matured compensated absences payable	108,282	-	-	-	108,282
Deferred revenue	<u>19,494,905</u>	<u>2,662,998</u>	<u>1,479,851</u>	<u>346,015</u>	<u>23,983,769</u>
Total Liabilities	<u>25,685,653</u>	<u>2,662,998</u>	<u>1,996,361</u>	<u>899,966</u>	<u>31,244,978</u>
<u>Fund Balances:</u>					
<u>Reserved for:</u>					
Encumbrances	174,623	-	44,609	83,477	302,709
Property taxes	5,067,393	688,730	383,397	-	6,139,520
<u>Unreserved, designated:</u>					
Designated for budget stabilization	367,699	-	-	-	367,699
<u>Unreserved, undesignated, reported in:</u>					
General fund	2,573,896	-	-	-	2,573,896
Special revenue funds	-	-	-	1,048,274	1,048,274
Debt service fund	-	1,228,407	-	-	1,228,407
Capital projects funds	-	-	1,681,910	2	1,681,912
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,105</u>	<u>5,105</u>
Total Fund Balances	<u>8,183,611</u>	<u>1,917,137</u>	<u>2,109,916</u>	<u>1,136,858</u>	<u>13,347,522</u>
Total Liabilities and Fund Balances	\$ 33,869,264	\$ 4,580,135	\$ 4,106,277	\$ 2,036,824	\$ 44,592,500

See accompanying notes to the basic financial statements

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total Governmental Fund Balances:		\$ 13,347,522
 <u>Amounts reported for governmental activities in the statement of net assets are different because:</u>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		38,870,738
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		1,033,817
Bond issuance costs associated with bonds payable, are recorded as a deferred charge on the accrual basis but are not reported in the funds		388,703
Long-term liabilities which are not due and payable in the current period and therefore not reported in the funds.		
General obligation bonds payable	(4,381,170)	
Refunding bonds payable	(32,535,396)	
Accrued interest payable	(105,524)	
Premium on refunding bonds	(2,067,925)	
Deferred amount on refunding	1,651,815	
Compensated absences	(1,349,760)	
Capital leases payable	<u>(222,242)</u>	
Total		<u>(39,010,202)</u>
Net Assets of Governmental Activities		<u>\$ 14,630,578</u>

See accompanying notes to the basic financial statements

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and other local taxes	\$ 25,925,882	\$ 3,576,018	\$ 1,924,121	\$ -	\$ 31,426,021
Intergovernmental	15,965,275	546,693	290,327	3,491,918	20,294,213
Interest	502,362	67,591	71,079	12,674	653,706
Tuition and fees	439,651	-	-	770,214	1,209,865
Rentals	7,645	-	-	-	7,645
Extracurricular activities	-	-	-	319,403	319,403
Gifts and donations	-	-	-	116,337	116,337
Customer sales and services	20,599	-	-	1,034,921	1,055,520
Miscellaneous	111,604	-	6,007	258,799	376,410
Total Revenues	<u>42,973,018</u>	<u>4,190,302</u>	<u>2,291,534</u>	<u>6,004,266</u>	<u>55,459,120</u>
Expenditures:					
Current:					
Instruction:					
Regular	18,163,837	-	657,873	1,303,443	20,125,153
Special	3,755,614	-	-	1,099,570	4,855,184
Vocational	344,011	-	-	-	344,011
Other instruction	1,393,959	-	-	186,988	1,580,947
Support Services:					
Pupils	2,156,076	-	-	94,378	2,250,454
Instructional staff	2,010,007	-	-	749,289	2,759,296
Board of education	219,277	-	-	-	219,277
Administration	2,658,275	-	26,687	145,938	2,830,900
Fiscal	940,197	61,403	32,688	11,217	1,045,505
Business	309,558	-	114,374	-	423,932
Operation and maintenance of plant	4,111,195	-	42,100	36,549	4,189,844
Pupil transportation	2,297,784	-	308,510	44,577	2,650,871
Central	130,219	-	-	21,472	151,691
Non-instructional services	-	-	-	1,601,572	1,601,572
Extracurricular activities	804,287	-	-	339,580	1,143,867
Capital outlay	1,388	-	1,543,145	-	1,544,533
Debt Service:					
Principal retirement	-	2,645,000	32,995	-	2,677,995
Interest and fiscal charges	-	1,306,030	9,258	-	1,315,288
Total Expenditures	<u>39,295,684</u>	<u>4,012,433</u>	<u>2,767,630</u>	<u>5,634,573</u>	<u>51,710,320</u>
Excess of Revenues Over(Under) Expenditures	<u>3,677,334</u>	<u>177,869</u>	<u>(476,096)</u>	<u>369,693</u>	<u>3,748,800</u>
Other Financing Sources (Uses):					
Inception of Capital Lease	-	-	255,237	-	255,237
Transfers-In	-	-	-	20,000	20,000
Transfers-Out	(20,000)	-	-	-	(20,000)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>-</u>	<u>255,237</u>	<u>20,000</u>	<u>255,237</u>
Net Change in Fund Balance	<u>3,657,334</u>	<u>177,869</u>	<u>(220,859)</u>	<u>389,693</u>	<u>4,004,037</u>
Fund Balance at Beginning of Year	<u>4,526,277</u>	<u>1,739,268</u>	<u>2,330,775</u>	<u>747,165</u>	<u>9,343,485</u>
Fund Balance at End of Year	<u>\$ 8,183,611</u>	<u>\$ 1,917,137</u>	<u>\$ 2,109,916</u>	<u>\$ 1,136,858</u>	<u>\$ 13,347,522</u>

See accompanying notes to the basic financial statements

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Total Governmental Funds		\$ 4,004,037
<u>Amounts reported for governmental activities in the statement of activities are different because:</u>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following represents the capital asset activity for the year.		
Capital asset acquisition cost	1,238,860	
Current year depreciation	<u>(1,855,044)</u>	
Total		(616,184)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(616,387)	
Intergovernmental	119,661	
Interest	<u>(100)</u>	
Total		(496,826)
In governmental funds, the inception of capital leases is considered a source of financing, but in the statement of net assets, the debt obligations are reported as a liability.		
		(255,237)
Repayment of long-term debt principal and accretion are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
General obligation bonds	1,020,000	
Refunding bonds	1,185,000	
Capital leases	<u>472,995</u>	
Total		2,677,995
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		280
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences	135,738	
Amortization of bond issuance costs	(26,991)	
Accreted interest on capital appreciation bonds	(410,128)	
Amortization of bond premium	150,789	
Amortization of deferred amount on refunding	<u>(121,591)</u>	
Total		<u>(272,183)</u>
Change in Net Assets of Governmental Activities		<u>\$ 5,041,882</u>

See accompanying notes to the basic financial statements

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final Revised		
Revenues:				
Taxes	\$ 24,478,768	\$ 24,238,942	\$ 24,238,942	\$ -
Intergovernmental	14,140,232	15,965,275	15,965,275	-
Interest	400,000	533,974	533,587	(387)
Tuition and Fees	414,000	449,334	449,674	340
Rentals	10,000	7,645	7,645	-
Customer Sales and Service	10,000	20,599	20,599	-
Miscellaneous	130,000	103,425	103,624	199
Total Revenues	<u>39,583,000</u>	<u>41,319,194</u>	<u>41,319,346</u>	<u>152</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,653,371	17,971,566	17,971,566	-
Special	4,323,870	3,753,673	3,753,673	-
Vocational	347,945	340,807	340,807	-
Other Instruction	798,486	1,376,905	1,376,905	-
Support Services:				
Pupils	2,320,317	2,154,715	2,154,716	(1)
Instructional Staff	2,118,367	2,004,311	2,004,286	25
Board of Education	256,530	188,690	188,691	(1)
Administration	2,778,679	2,577,530	2,577,529	1
Fiscal	889,423	953,465	953,465	-
Business	302,742	297,370	297,370	-
Operation and Maintenance of Plant	4,537,856	4,222,126	4,221,350	776
Pupil Transportation	2,266,815	2,170,250	2,170,250	-
Central	170,518	132,504	132,504	-
Extracurricular Activities	822,604	802,174	802,174	-
Capital Outlay	-	1,388	1,388	-
Total Expenditures	<u>39,587,523</u>	<u>38,947,474</u>	<u>38,946,674</u>	<u>800</u>
Excess of Revenues Over(Under) Expenditures	(4,523)	2,371,720	2,372,672	952
Other Financing (Uses):				
Transfers-Out	(20,000)	(20,000)	(20,000)	-
Total Other Financing (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(24,523)</u>	<u>2,351,720</u>	<u>2,352,672</u>	<u>952</u>
Fund Balance at Beginning of Year	5,901,932	5,901,932	5,901,932	-
Prior Year Encumbrances Appropriated	449,974	449,974	449,974	-
Fund Balance at End of Year	<u>\$ 6,327,383</u>	<u>\$ 8,703,626</u>	<u>\$ 8,704,578</u>	<u>\$ 952</u>

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose Trust</u>	<u>Agency Funds</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 43,901	\$ 193,297
Investments	85,447	-
Accrued interest receivable	2,499	-
Accounts receivable	<u>-</u>	<u>2,781</u>
 Total Assets	 <u>131,847</u>	 <u>196,078</u>
Liabilities:		
Accounts payable	-	4,152
Due to students	<u>-</u>	<u>191,926</u>
 Total Liabilities	 <u>-</u>	 <u>\$ 196,078</u>
Net Assets:		
Held in trust for scholarships	<u>\$ 131,847</u>	

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$ 1,295
Investment Earnings	<u>4,082</u>
Total Additions	<u>5,377</u>
Deductions:	
Payments in accordance with trust agreements	<u>2,988</u>
Total Deductions	<u>2,988</u>
Change in Net Assets	2,389
Net Assets Beginning of Year	<u>129,458</u>
Net Assets End of Year	<u><u>\$ 131,847</u></u>

See accompanying notes to the basic financial statements.

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DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Delaware City School District (School District) operates under a locally-elected five member board form of government and provides educational services mandated by state and, or federal agencies. This board controls the School District's eight instructional/support facilities staffed by 173 non-certificated employees, 344 certificated employees, including 21 administrative employees, to provide services to a student enrollment of 4,452 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 Area Career Center. These organizations are presented in Note 17 to the basic financial statements.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 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 government-wide activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities.

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

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the repayment of, the School District's general obligation debt, including the three school improvement bonds previously approved by voters within the School District's boundaries.

Permanent Improvement Fund – The Permanent Improvement Fund is used to account for financial resources, specifically property and other local taxes generated by the District's permanent improvement levy, to be used to maintain the School District's facilities, as well as provide for major equipment and instructional material purchases.

The other governmental funds of the School District account for grants and other resources, and capital projects of the School District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has various funds established to provide scholarships to its students that are classified as private-purpose trust funds. Funds used to account for the activity of the numerous student managed activities within the School District are classified as agency funds.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “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 fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenditures/Expenses

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 the employee. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting utilized on the government-wide financial statements and by private purpose trust funds recognizes revenues when they are earned, and expenses are recognized at the time they are incurred.

E. Budget Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board has established the legal level of control at the fund, function, and object level within the individual funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008.

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled in 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 2008, investments were limited to various 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.

The School District has invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2008. 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, 2008.

For presentation purposes on the balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the 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 revenue credited to the General Fund during fiscal year 2008 amounted to \$502,362, which includes \$29,297 assigned from other funds. Interest was also recorded in the debt service, permanent improvement, non-major and private purpose trust funds in the amounts of \$67,591, \$71,079, \$12,674 and \$4,082, respectively.

G. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed rather than when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items 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.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

K. Capital Assets and Depreciation

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net assets but are not reported in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 to 50 years
Furniture and Equipment	8 to 20 years
Vehicles	10 years
Library and Text Books	5 to 15 years

L. Interfund Activity

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

M. 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.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The amount is based on accumulated sick and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated sick leave for all employees after fifteen years of current service with the School District.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

O. Net Assets

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

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

P. Reservations and Designations of Fund Balance

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 and property taxes.

In addition, the School District has determined to maintain a budget stabilization account, and therefore, this account is shown on the fund financial statements as designated fund balance instead of reserved fund balance to indicate that the School District made the determination to set these funds aside.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 3 – PRIOR PERIOD ADJUSTMENT

During the fiscal year, the School District adjusted its capital assets records due to corrections noted during the physical inventory of all assets. In addition, the School District changed the estimated useful lives of all land improvement assets to 20 years. These adjustments resulted in the carrying value of capital assets being reduced by \$2,440,875 and required an adjustment of net assets reported as of July 1, 2007 from the \$12,029,571 previously reported to \$9,588,696.

NOTE 4 - ACCOUNTABILITY

At June 30, 2008, the Miscellaneous State Grants, Title VI(B), Title V, Preschool Grant and Miscellaneous Federal Grants non-major special revenue funds reported fund deficits of \$24,437, \$21,198, \$557, \$196 and \$10,013, respectively. These deficits resulted from adjustments for accrued liabilities. Management expects the deficit in this fund to be corrected in early fiscal year 2009. The general fund is liable for any deficit in other funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ 3,657,334
Revenue Accruals	(1,653,672)
Expenditure Accruals	720,401
Encumbrances	<u>(371,391)</u>
Budget Basis	<u>\$ 2,352,672</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active Monies – Those monies required to be kept in a “cash” or “near-cash” status for the immediate use of the district. Such monies must be maintained either as cash in the treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – Those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificate of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested in legal securities (see Note 2F).

Deposits

Custodial credit risk is the risk that in the event of bank failure, the School District’s deposits may not be returned to it. Protection of the School District’s deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the School District’s deposits was \$11,297,778 and the bank balance was \$11,374,632. Of the bank balance, \$8,190,288 was covered by federal depository insurance and \$3,184,344 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

Investments are reported at fair value. As of June 30, 2008, the School District’s only investments were \$1,319 of over-night repurchase agreements and an equity interest in the STAROhio investment pool with a carrying value of \$2,996,743. Standards and Poor’s has rated the STAROhio investment pool “AAAm”.

The School District’s investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code and includes the following:

Custodial Credit Risk – All investments shall be issued in the name of the School District.

Concentration of Credit Risk – Diversification shall ensure potential losses on individual securities do not exceed the income generated from the remainder of the initial investment.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 7 - 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 February 10, with the remainder payable by July 10.

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, 2008 was \$70.30 per \$1,000 of assessed value. The assessed values upon which the fiscal year 2008 taxes were collected are as follows:

	<u>2008 First Half Collections</u>	<u>2007 Second Half Collections</u>
Agricultural/residential and other real estate property	\$ 690,868,930	\$ 669,123,630
Public utility personal property	16,486,470	19,064,740
Tangible personal property	<u>19,792,118</u>	<u>34,863,329</u>
Total	<u>\$ 727,147,518</u>	<u>\$ 723,051,699</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of June 30, 2008. 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. For the governmental fund financial statements, the receivable is therefore offset by a credit to unearned revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2008 was recognized as revenue.

The amount available as an advance at June 30 was \$5,067,393 in the General Fund, \$688,730 in the Bond Retirement Debt Service Fund and \$383,397 in the Permanent Improvement Capital Projects Fund. These amounts have been set aside as a reservation of fund balance.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008, consisted of current and delinquent property taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Non-Major Funds:

Food Service Subsidy	\$ 75,946
Title VI-B Grant	133,161
LEP, Title III Grant	7,718
Title I Grant	194,775
Title II-A Grant	64,189
21st Century Grant	32,510
Other non-major funds	<u>57,167</u>
Total Intergovernmental Receivables	<u>\$ 565,466</u>

NOTE 9 - CAPITAL ASSETS

A summary of the School District's general capital assets for fiscal year 2008 is as follows:

	Restated Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
<i><u>Capital Assets, not being depreciated</u></i>				
Land	\$ 2,699,613	\$ 82,653	\$ -	\$ 2,782,266
Construction in Progress	<u>153,540</u>	<u>-</u>	<u>(153,540)</u>	<u>-</u>
	2,853,153	82,653	(153,540)	2,782,266
<i><u>Capital Assets, being depreciated</u></i>				
Buildings and Improvements	51,814,792	-	-	51,814,792
Furniture and Equipment	1,982,517	781,655	-	2,764,172
Vehicles	2,858,167	528,092	(261,878)	3,124,381
Library and Textbooks	<u>1,266,410</u>	<u>-</u>	<u>-</u>	<u>1,266,410</u>
	57,921,886	1,309,747	(261,878)	58,969,755
<i><u>Less: Accumulated Depreciation</u></i>				
Buildings and Improvements	(17,016,139)	(1,000,789)	-	(18,016,928)
Furniture and Equipment	(1,030,459)	(544,552)	-	(1,575,011)
Vehicles	(2,234,912)	(212,631)	261,878	(2,185,665)
Library and Textbooks	<u>(1,006,607)</u>	<u>(97,072)</u>	<u>-</u>	<u>(1,103,679)</u>
	(21,288,117)	(1,855,044) *	261,878	(22,881,283)
Depreciable Capital Assets, Net	<u>36,633,769</u>	<u>(545,297)</u>	<u>-</u>	<u>36,088,472</u>
Total Capital Assets, Net	<u>\$ 39,486,922</u>	<u>\$ (462,644)</u>	<u>\$ (153,540)</u>	<u>\$ 38,870,738</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 9 - CAPITAL ASSETS (Continued)

* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 367,540
Vocational	5,764
Support Services:	
Instructional support	174,682
Administration	4,000
Operation and maintenance of plant	91,512
Pupil transportation	230,802
Operation of non-instructional services	13,421
Extracurricular activities	27,218
Unallocated depreciation	<u>940,105</u>
Total Depreciation Expense	<u>\$ 1,855,044</u>

Unallocated depreciation is depreciation of the individual school buildings throughout the District, which essentially serve all functions/programs, and therefore is not included as a direct expense of any function or program but disclosed as a separate expense.

NOTE 10 - 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 2008, the School District contracted with the Ohio School Plan for general liability insurance with a \$1 million single occurrence and a \$3 million aggregate limit. Property is protected by Hartford Insurance and holds a \$1,000 deductible per occurrence. 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$973,394, \$887,236 and \$917,950 respectively; 50.0 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,948,704, \$2,575,525, and \$2,656,821 respectively; 82.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$123,321.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$354,155, \$306,669, and \$379,720 respectively; 50.0 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$47,279, \$43,094, and \$44,586 respectively; 50.0 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$210,621, \$201,769, and \$189,773 respectively; 82.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 – 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.

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, 2008 was \$1,458,042.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 14 - LONG-TERM OBLIGATIONS

The activity of the School Districts long-term obligations during fiscal year 2008 was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due within</u> <u>One Year</u>
General Obligation Bonds:					
1994 School Construction					
Capital Appreciation 5-5.35%	\$ 889,063	\$ 77,481	\$ 515,000	\$ 451,544	\$ 485,000
1995 School Construction					
Capital Appreciation 5.8-6.1%	3,225,314	194,262	-	3,419,576	-
1998 School Construction					
Capital Appreciation 4.55-4.7%	982,334	32,716	505,000	510,050	520,000
2004 Refunding					
Current Interest Serial 2.0-5.0%	14,140,000	-	-	14,140,000	-
Capital Appreciation 2.3-3.05%	2,605,754	55,902	1,085,000	1,576,656	1,075,000
2005 Refunding					
Current Interest Serial 3.15-5.0%	8,840,000	-	55,000	8,785,000	55,000
Capital Appreciation 4.05%	625,847	25,604	-	651,451	-
Current Interest Term 3.7%	390,000	-	-	390,000	-
2006 Refunding					
Current Interest Serial 3.25-5.0%	4,925,000	-	45,000	4,880,000	50,000
Capital Appreciation 4.0%	598,126	24,163	-	622,289	-
Current Interest Term 4.15%	1,490,000	-	-	1,490,000	-
Deferred Amounts:					
Add: Bond Premium	2,218,714	-	150,789	2,067,925	155,000
Less: Deferred Amount on Refunding	(1,773,406)	-	(121,591)	(1,651,815)	-
Total General Obligation Bonds	<u>39,156,746</u>	<u>410,128</u>	<u>2,234,198</u>	<u>37,332,676</u>	<u>2,340,000</u>
Compensated Absences	1,485,498	-	135,738	1,349,760	145,000
Capital Lease Obligations	<u>440,000</u>	<u>255,237</u>	<u>472,995</u>	<u>222,242</u>	<u>46,683</u>
Total Long-Term Obligations	<u>\$ 41,082,244</u>	<u>\$ 665,365</u>	<u>\$ 2,842,931</u>	<u>\$ 38,904,678</u>	<u>\$ 2,531,683</u>

Legal Debt Margins

The School District's voted legal debt margin was \$29,755,118 and an unvoted debt margin of \$727,148 at June 30, 2008.

General Obligation Bonds

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. The original issue included current interest serial bonds, capital appreciation bonds and current interest term bonds. In fiscal year 2004, the School District advanced refunded \$4,830,000 of this issue. The remaining capital appreciation bonds will be fully matured in fiscal year 2009. The maturity amount of the remaining capital appreciation bonds is \$485,000. For fiscal year 2008, \$77,481 was accreted for a total remaining bond value of \$451,544.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

- \$19,899,306, issued in fiscal year 1995 and maturing in fiscal year 2021, for the construction of a new middle and high school. The original issue included current interest serial bonds, capital appreciation bonds and current interest term bonds. In fiscal year 2004, the School District advanced refunded \$11,615,000 of this issue. The capital appreciation bonds will mature in 2009-2012. The maturity amount of the bonds is \$4,050,000. For fiscal year 2008, \$194,262 was accreted for a total bond value of \$3,419,576.
- \$19,749,968, issued in fiscal year 1999 and maturing in fiscal year 2026, for the construction of a new middle school. The original issue included current interest serial bonds, capital appreciation bonds and current interest term bonds. In fiscal year 2007, the School District advanced refunded \$16,295,000 of this issue. The remaining capital appreciation bonds will be fully matured in fiscal year 2009. The maturity amount of the remaining capital appreciation bonds is \$520,000. For fiscal year 2008, \$32,716 was accreted for a total remaining bond value of \$510,050.
- \$16,444,954, issued in fiscal year 2004 and maturing in fiscal year 2021, for the partial advance refunding of general obligation bonds previously issued, \$4,830,000 of 1994 bonds and \$11,615,000 of 1995 bonds. These bonds include current interest serial bonds and capital appreciation bonds. The capital appreciation bonds mature in 2008 through 2010. The maturity amount of the remaining capital appreciation bonds is \$1,615,000. For fiscal year 2008, \$55,902 was accreted for a total remaining bond value of \$1,576,656.
- \$16,294,994, issued in fiscal year 2006 (two different series) and maturing in fiscal year 2026, for the partial advance refunding of \$16,295,000 of general obligation bonds issued in 1999. These bonds include current interest serial bonds and capital appreciation bonds. The capital appreciation bonds will mature in 2015 and 2016. The maturity amount of the bonds is \$1,685,000. For fiscal year 2008, \$49,767 was accreted for a total bond value of \$1,273,740.

Principal and interest requirements to retire the District's long-term general obligation bonds outstanding at June 30, 2008 are shown in the table below. The capital appreciation bonds are included at the full maturity value reported in the principal column.

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$ 2,185,000	\$ 1,317,142	\$ 3,502,142
2010	2,215,000	1,284,983	3,499,983
2011	2,275,000	1,213,639	3,488,639
2012	2,370,000	1,168,681	3,538,681
2013	2,395,000	1,115,906	3,510,906
2014-2018	12,570,000	4,290,963	16,860,963
2019-2023	9,640,000	1,773,499	11,413,499
2024-2026	4,255,000	273,803	4,528,803
Total	<u>\$ 37,905,000</u>	<u>\$ 12,438,616</u>	<u>\$ 50,343,616</u>

Other Long-Term Obligations

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.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2008, the School District entered into a capitalized lease to acquire numerous copiers for use throughout the District. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. In addition, prior to fiscal year 2008, the School District utilized a capitalized lease to finance HVAC upgrades at various school facilities. The terms of this lease includes an option that would allow the School District to satisfy their obligation at any time by paying principal plus accrued interest, otherwise lease payments are renewable every year for the next five years. Capital lease payments will be reflected as debt service expenditures in the basic financial statements for the governmental funds.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$2,440,475, which is equal to the present value of the minimum lease payments at the time of acquisition. The corresponding liability was split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net assets for governmental activities. Principal payments in fiscal year 2008 totaled \$472,995.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

	<u>Fiscal Year</u> <u>Ended June 30,</u>	
	2009	\$ 60,338
	2010	60,338
	2011	60,338
	2012	60,338
	2013	<u>15,084</u>
Total		256,436
Less: Amount Representing Interest		<u>(34,194)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 222,242</u>

NOTE 16 - INTERFUND ACTIVITY

During the year ended June 30, 2008, the School District provided operating funds to the District Managed Student Activity Fund through a transfer from the General Fund. The amount of this transfer was \$20,000 and was made with no intention of repayment.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 17 – 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. The School District paid \$280,526 to TRECA during fiscal year 2008.

Delaware Area Career Center

The Delaware Area Career Center (Career Center) is a distinct political subdivision of the State of Ohio, which provides vocational education. The Career Center 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 the Treasurer's Office at 4565 Columbus Pike Road, Delaware, Ohio 43015.

NOTE 18 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, 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 requirement during the year for textbooks and other instructional materials may carry forward to the next year to reduce the set-aside requirement of future years.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	<u>Textbooks</u>	<u>Capital Spending</u>	<u>Total</u>
Set-aside Reserve Balance as of June 30, 2007	\$ (1,910,348)	\$ -	\$ (1,910,348)
Current Year Set-aside Requirement	693,363	693,363	1,386,726
Qualifying Disbursements	<u>(1,150,783)</u>	<u>(2,531,148)</u>	<u>(3,681,931)</u>
Total	<u>\$ (2,367,768)</u>	<u>\$ (1,837,785)</u>	<u>\$ (4,205,553)</u>
Balance Carried forward to FY 2009	<u>\$ (2,367,768)</u>	<u>\$ -</u>	

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

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2008, the School District has implemented GASB Statements No. 45, “Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions”, and No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”.

GASB Statement No. 45 establishes the reporting disclosure requirements for governments related to benefits offered to employments after employment ends other than pensions. For the School District, the changes contained within this Statement only affected the required disclosures related to the health care benefits offered to retirees through the multi-employer, cost-sharing state retirement systems. These disclosures are contained in Note 12 to the basic financial statements.

GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged or sold. This statement had no effect on the School District financial statements for fiscal year 2008.

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**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	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:					
School Breakfast Program	10.553	\$ 56,495	\$ -	\$ 56,495	\$ -
National School Lunch Program	10.555	450,491	78,975	450,491	78,975
Special Milk Program for Children	10.556	295	-	295	-
Total United States Department of Agriculture		507,281	78,975	507,281	78,975
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	544,715	-	540,238	-
Special Education Cluster:					
Special Education Grants to States	84.027	1,158,920	-	1,216,489	-
Special Education Preschool Grants	84.173	30,907	-	31,176	-
Total Special Education Cluster		1,189,827	-	1,247,665	-
Safe and Drug Free School and Communities State Grants	84.186	14,907	-	14,907	-
Twenty-first Century Community Learning Centers	84.287	167,490	-	152,259	-
State Grants for Innovative Programs	84.298	11,669	-	15,128	-
Education Technology State Grants	84.318	6,028	-	5,993	-
English Language Acquisition Grants - Limited English Proficient	84.365	19,856	-	20,336	-
Improving Teacher Quality State Grants	84.367	199,590	-	188,010	-
Total United States Department of Education		2,154,082	-	2,184,536	-
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>					
Medical Assistance Program					
Community Alternative Funding System	93.778	67,499	-	-	-
Total United States Department of Health and Human Services		67,499	-	-	-
Total Federal Awards		\$ 2,728,862	\$ 78,975	\$ 2,691,817	\$ 78,975

The accompanying notes are an integral part of this schedule.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

NOTE D – TRANSFERS

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2008, the Ohio Department of Education (ODE) authorized the following transfers:

CFDA Number	Program Title	Grant Year	Transfers Out	Transfers In
84.027	Special Education - Title VI-B	2007	\$13,124	
84.027	Special Education - Title VI-B	2008		\$13,124
84.010	Title I Grants to Local Educational Agencies	2007	\$85,045	
84.010	Title I Grants to Local Educational Agencies	2008		\$85,045
84.367	Improving Teacher Quality State Grants	2007	\$55,442	
84.367	Improving Teacher Quality State Grants	2008		\$55,442
84.365	English Language Acquisition Grants	2007	\$11,607	
84.365	English Language Acquisition Grants	2008		\$11,607
84.298	State Grants for Innovative Programs	2007	\$1,110	
84.298	State Grants for Innovative Programs	2008		\$1,110
84.173	Special Education Preschool Grants	2007	\$1,417	
84.173	Special Education Preschool Grants	2008		\$1,417



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware City School District, Delaware County, Ohio (the District) as of and for the year ended June 30, 2008 which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2008-001 is also a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated November 21, 2008.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 21, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of 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 apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Delaware City School District, Delaware County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 21, 2008

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster (CFDA #10.553, #10.555 and #10.556) Special Education Cluster (CFDA #84.027 and #84.173)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2008-001

Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the Treasurer's Office and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001

Significant Deficiency/Material Weakness (Continued)

Audit adjustments were made to the June 30, 2008 financial statements to increase expenses and accounts payable in the permanent improvement fund and governmental activities by \$333,257 to properly account for expenses incurred but not accrued at June 30, 2008. In addition, the reserved for encumbrances reported in the permanent improvement fund was reduced for the same amount.

The following audit adjustments and reclassifications were inconsequential to the overall financial statement of the District and were not posted to the June 30, 2008 financial statements. However, the accumulation of these audit adjustments has more than an inconsequential impact on the financial statements.

1. A reclassification of \$819,769 to properly reflect transportation related foundation revenue as general revenue in governmental activities.
2. An adjustment of \$189,672 to increase regular instruction expense and decrease depreciable capital assets to exclude acquisitions that did not meet the District's capitalization threshold in government type activities.
3. An adjustment for \$175,091 to properly reflect depreciation expense at June 30, 2008 in governmental activities.
4. A reclassification of \$54,001 and \$2,730 to increase intergovernmental revenue that was misposted as property & other local tax revenue in the general fund and the permanent improvement fund respectively.
5. An adjustment of \$53,104 to increase expenses and accounts payable in the general fund and governmental activities to properly account for expenses incurred but not accrued at June 30, 2008.
6. An adjustment of \$528,169 to properly record restricted net assets for other purposes rather than unrestricted net assets.
7. A reclassification was made for \$632,154 to properly reflect accumulated accretion as a reduction of unrestricted net assets rather than invested in capital assets, net of related debt.

The adjustments and reclassifications identified during the audit should be reviewed by the Treasurer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the District should adopt policies and procedures, including a final review of the financial statements and note disclosures by the Treasurer and the Board of Education to identify and correct errors and omissions.

Officials' Response:

The District was made aware of, agreed with and recorded the audit adjustments for the additional accounts payable noted in the permanent improvement fund during the fiscal year 2008 audit. While we believe we have a good system in place for identifying accounts payable, oversights were made.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2008-001

Significant Deficiency/Material Weakness (Continued)

Official's Response (Continued):

We will continue to make efforts to ensure all payables are properly identified and reported.

While the District does not have a formal policy requiring review of the financial statements by management, it is important to note that the Finance Director/Treasurer does review the financial statements and disclosures each year prior to their submission to the auditors. In addition, the vast majority of the items identified by the auditors as inconsequential to the financial statement are reclassification entries which have little to no impact on the users of the financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	SAS 112 – Financial Reporting	No	Reissued as Finding 2008-001



Mary Taylor, CPA
Auditor of State

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 24, 2008**