



**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



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 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, 2007, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 respective 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, 2007, 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 December 18, 2007, 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.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 18, 2007

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

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, 2007. 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 2007 are as follows:

Overall:

- Total net assets decreased by \$1.4 million, which represents a 10.6 percent decrease from fiscal year 2006 due primarily to less property tax revenue available to recognize as revenue for the year.
- Total assets of governmental activities increased \$4.0 million based on higher ending cash balance and higher property taxes receivable. The high cash balance was due to spending below the amounts received during the year and the higher effective rate applied to the property tax values.
- General revenues accounted for \$39.7 million or 87.6 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 \$5.6 million or 12.4 percent of total revenues of \$45.3 million.
- Of the School District's \$46.7 million in expenses, only \$5.6 million were offset by program specific charges for services, grants or contributions. General revenues and unrestricted net assets were used to cover the net expense of \$41.1 million.
- The General Fund, the School District's most significant fund, had an ending fund balance of \$4.5 million or 48.4 percent of the total ending fund balance for governmental funds. The other two major funds, the Debt Service and Permanent Improvement Funds, had \$1.7 million or 18.6 percent and \$2.3 million or 24.9 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, 2007

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 2007?" 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 2007, the School District has three major governmental funds: the General, Debt Service and Permanent Improvement Funds.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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 2007 compared to 2006:

TABLE 1
NET ASSETS

	<u>2007</u>	<u>Restated 2006</u>
<i>Assets:</i>		
Current and other Assets	\$ 43,277,970	\$ 38,252,372
Capital Assets	<u>41,927,797</u>	<u>42,969,771</u>
Total Assets	<u>85,205,767</u>	<u>81,222,143</u>
<i>Liabilities:</i>		
Long-Term Liabilities	41,082,244	43,519,798
Other Liabilities	<u>32,093,952</u>	<u>24,240,107</u>
Total Liabilities	<u>73,176,196</u>	<u>67,759,905</u>
<i>Net Assets:</i>		
Invested in Capital Assets, Net of Debt	2,746,745	1,457,342
Restricted	4,361,063	4,762,748
Unrestricted	<u>4,921,763</u>	<u>7,242,148</u>
Total Net Assets	<u>\$ 12,029,571</u>	<u>\$ 13,462,238</u>

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2007, the School District's total net assets were \$12.0 million. Of that amount, approximately \$2.7 million was invested in capital assets, net of debt related to those assets. Another \$4.4 million was subject to external restrictions upon its use. The remaining \$4.9 million was unrestricted and available for future use as directed

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

by the Board of Education and the School District's Administration. The decrease in unrestricted net assets resulted from the decrease in the amount of property taxes collected by the County Auditor as of June 30, 2007 which were available for advance to the School District. This amount is recorded as revenue for the current year since it is accessible. In fiscal year 2006 the amount available for advance was \$6.4 million while only \$3.4 million was available at June 30, 2007. The increase in liabilities was due to a larger portion of property taxes receivable being reported as unearned revenue for the current period.

Table 2 shows the changes in net assets for fiscal year 2007 as compared to those for fiscal year 2006

TABLE 2
CHANGES IN NET ASSETS

	<u>2007</u>	<u>2006</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 2,400,900	\$ 2,666,339
Operating Grants and Contributions	3,169,533	3,265,949
Capital Grants and Contributions	63,547	16,283
General Revenues:		
Property Taxes	23,637,838	29,963,390
Grants and Entitlements	15,044,832	14,016,970
Other	<u>1,013,762</u>	<u>866,058</u>
Total Revenues	<u>45,330,412</u>	<u>50,794,989</u>
Program Expenses		
Instruction	25,485,850	24,907,634
Support Services:		
Pupil and Instructional Staff	4,867,337	4,786,493
Board of Education, Administration, Fiscal and Business	4,358,940	4,308,381
Plant Operation and Maintenance	4,565,253	4,200,914
Pupil Transportation	2,218,696	2,456,241
Central	157,974	182,738
Operation of Non-Instructional Services	1,316,479	1,510,547
Extracurricular Activities	1,111,859	1,338,174
Unallocated Depreciation	996,470	997,877
Interest and Fiscal Charges	<u>1,684,221</u>	<u>2,398,078</u>
Total Expenses	<u>46,763,079</u>	<u>47,087,077</u>
Increase in Net Assets	<u>\$ (1,432,667)</u>	<u>\$ 3,707,912</u>

Governmental Activities

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 52 percent of revenues for governmental activities for the Delaware City School District for fiscal year 2007 compared with 59 percent for fiscal year 2006. This decrease resulted from additional property taxes being reported as unearned revenue in fiscal year 2007 compared with one year before as well as the on-going reduction in the tangible personal property tax rate in the State of Ohio. The reduction in tangible personal property is currently reimbursed through the State and is recorded as intergovernmental revenue instead of tax revenue.

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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

In addition to property taxes, the School District relies significantly on the state foundation program and other entitlement programs to fund its operations; approximately 33.0 percent of the School District's total revenue was received from unrestricted intergovernmental sources during fiscal year 2007.

Program revenue reported for fiscal year 2007 was nearly \$5.6 million, which is approximately \$315,000 less than the amount reported for program revenue in the prior fiscal year. Fluctuations in charges for services and extracurricular activities revenue account for the majority of the program revenue decrease.

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 2007 as compared with fiscal year 2006.

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

	2007		2006	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 25,486	\$ 22,453	\$ 24,908	\$ 21,998
Support Services:				
Pupil and Instructional Staff	4,867	4,178	4,786	4,105
Board of Education, Administration, Fiscal and Business	4,359	4,303	4,308	4,231
Plant Operation and Maintenance	4,565	4,504	4,201	4,168
Pupil Transportation	2,219	2,073	2,456	2,268
Central	158	143	183	168
Operation of Non-Instructional Services	1,316	(14)	1,511	(25)
Extracurricular Activities	1,112	808	1,338	830
Unallocated Depreciation	997	997	998	998
Interest and Fiscal Charges	1,684	1,684	2,398	2,398
Total Expenses	<u>\$ 46,763</u>	<u>\$ 41,129</u>	<u>\$ 47,087</u>	<u>\$ 41,139</u>

The increase in expenses reported for the operation and maintenance of plant for fiscal year 2007, was due to a continued effort on repair and maintenance projects completed on buildings throughout the School District, which did not extend the useful life of the building and therefore were not capitalized.

The program revenue generated by the operation of non-instructional services, primarily food service operations, were more than enough to cover the expenses reported for that function. Interest and fiscal costs decreased for fiscal year 2007 compared with the prior year as the prior year had significant one-time interest costs associated with an advance refunding issue. Table 3 shows the impact of decisions made by management to limit spending while allocating a larger percentage of the School District's resources to the instructional areas.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

While the total expenses noted above did differ from year to 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.

Unallocated depreciation represents current period depreciation charges associated with capital assets that are utilized by several different functions, typically school buildings throughout the District.

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$45.7 million and expenditures of \$48.1 million. The net change in fund balance was most significant in the General Fund, a decrease of \$2.1 million due primarily to less tax revenue available for advance at June 30, 2007 compared with one year before. Despite the overall fund balance decrease reported in the General Fund, unreserved fund balance in the general fund went from a \$162,700 deficit in 2006 to a positive \$813,178 in 2007. This increase was due to the lower reserve amounts needed at June 30, 2007 for property taxes available for advance as well as outstanding encumbrance amounts. The decrease in the fund balance of the Debt Service Fund was due to scheduled peaks in debt service payments due to maturing capital appreciation bonds.

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 \$38.3 million as compared to the original budget estimates of \$34.4 million. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$38.0 million, or just over \$1.1 million 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 2007, the School District had \$41.9 million invested in land, buildings, furniture and equipment, vehicles, and textbooks and library books in governmental activities. Table 4 shows fiscal year 2007 balances compared to 2006, 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, 2007
Unaudited

TABLE 4
CAPITAL ASSETS AT JUNE 30

	2007	Restated 2006
Land	\$ 2,699,613	\$ 2,699,613
Construction in Progress	153,540	-
Buildings and Improvements	51,565,789	51,565,789
Equipment	4,809,542	4,532,644
Vehicles	2,840,003	2,850,503
Textbooks & Library Books	2,546,227	2,546,227
Less: Accumulated Depreciation	<u>(22,686,917)</u>	<u>(21,225,005)</u>
Total Net Capital Assets	<u>\$ 41,927,797</u>	<u>\$ 42,969,771</u>

Overall, net capital assets decreased \$1.0 million from fiscal year 2006. This decrease in net capital assets results from the current year depreciation expense being a greater amount than current year acquisition of capital assets.

During fiscal year 2007, the School District acquired various pieces of equipment, including computers, which totaled \$276,898 and had \$153,540 of construction in progress at year-end associated with two different building improvement projects. There were no significant individual capital asset additions during the year. Depreciation expense for the year totaled \$1,468,125.

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, 2007, the School District had six general obligation bond issues outstanding with a combined outstanding principal of \$39.2 million, of which \$2.2 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 \$440,000 of capital lease obligations associated with the HVAC projects throughout the School District, and \$1.5 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 \$41.1 million at June 30, 2007 with approximately \$2.8 million being due within one year.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

At June 30, 2007, the School District's overall legal debt margin was \$27.6 million and the unvoted debt margin was \$723,052.

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.

Future Economic Factors

On August 8, 2006 voters approved the replacement of two existing property tax levies at the original tax rate approved years ago. Collection on the approved 12.9 mill emergency operating levy began in January 2007, therefore the full effects of the additional property taxes generated by this levy will not be realized by the School District until fiscal year 2008.

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, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 11,093,904
Investments	4,706
Materials and supplies inventory	96,912
Accrued interest receivable	59,943
Accounts receivable	22,979
Intergovernmental receivable	315,521
Prepaid items	121,733
Property and other local taxes receivables	31,146,578
Unamortized bond issuance costs	415,694
Capital assets:	
Depreciable, net of accumulated depreciation	39,074,644
Non-depreciable	2,853,153
 Total Assets	 85,205,767
Liabilities:	
Accounts payable	521,539
Accrued wages and benefits payable	4,587,648
Intergovernmental payable	1,102,517
Accrued interest payable	105,804
Matured compensated absences payable	115,921
Unearned revenue	25,660,523
Long Term Liabilities:	
Due within one year	2,820,000
Due in more than one year	38,262,244
 Total Liabilities	 73,176,196
Net Assets:	
Invested in capital assets, net of related debt	2,746,745
Restricted for:	
Debt service	1,777,648
Capital projects	2,403,465
Perpetual care:	
Expendable	691
Nonexpendable	4,200
Other purposes	175,059
Unrestricted	4,921,763
 Total Net Assets	 \$ 12,029,571

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	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	\$ 19,415,375	\$ 1,046,150	\$ 802,376	\$ 27,388	\$ (17,539,461)
Special	4,992,079	-	1,156,710	-	(3,835,369)
Vocational	339,690	-	-	-	(339,690)
Other	738,706	-	-	-	(738,706)
Support Services:					
Pupils	2,240,779	-	32,425	-	(2,208,354)
Instructional staff	2,626,558	-	657,069	-	(1,969,489)
Board of education	211,518	-	-	-	(211,518)
Administration	2,658,370	55,191	-	-	(2,603,179)
Fiscal	1,021,721	-	-	-	(1,021,721)
Business	467,331	-	-	-	(467,331)
Operation and maintenance of plant	4,565,253	13,413	48,241	-	(4,503,599)
Pupil transportation	2,218,696	109,125	-	36,159	(2,073,412)
Central	157,974	-	15,084	-	(142,890)
Operation of non-instructional services	1,316,479	887,979	442,614	-	14,114
Extracurricular activities	1,111,859	289,042	15,014	-	(807,803)
Interest and fiscal charges	1,684,221	-	-	-	(1,684,221)
Unallocated depreciation *	996,470	-	-	-	(996,470)
Total Governmental Activities	\$ 46,763,079	\$ 2,400,900	\$ 3,169,533	\$ 63,547	(41,129,099)

General Revenues:

Property taxes and other local taxes:

Levied for General Purposes	19,305,820
Levied for Capital Outlay	1,446,022
Levied for Debt Service	2,885,996

Grants and entitlements not restricted to
specific programs

Investment earnings	15,044,832
Miscellaneous	688,694
	325,068

Total General Revenues 39,696,432

Changes in net assets (1,432,667)

Net assets at beginning of year (restated - see Note 3) 13,462,238

Net assets at end of year \$ 12,029,571

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

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 6,351,892	\$ 1,199,124	\$ 2,395,638	\$ 1,147,250	\$ 11,093,904
Investments	-	-	-	4,706	4,706
Materials and supplies inventory	72,336	-	-	24,576	96,912
Accrued interest receivable	50,394	4,778	4,671	100	59,943
Accounts receivable	4,790	-	-	18,189	22,979
Intergovernmental receivable	12,012	-	-	303,509	315,521
Prepaid items	121,733	-	-	-	121,733
Property and other local taxes receivable	<u>25,566,640</u>	<u>3,721,774</u>	<u>1,858,164</u>	<u>-</u>	<u>31,146,578</u>
Total Assets	<u>\$ 32,179,797</u>	<u>\$ 4,925,676</u>	<u>\$ 4,258,473</u>	<u>\$ 1,498,330</u>	<u>\$ 42,862,276</u>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 147,085	\$ -	\$ 335,026	\$ 39,428	\$ 521,539
Accrued wages and benefits	4,284,392	-	-	303,256	4,587,648
Intergovernmental payable	919,935	-	-	182,582	1,102,517
Matured compensated absences payable	115,921	-	-	-	115,921
Deferred revenue	<u>22,186,187</u>	<u>3,186,408</u>	<u>1,592,672</u>	<u>225,899</u>	<u>27,191,166</u>
Total Liabilities	<u>27,653,520</u>	<u>3,186,408</u>	<u>1,927,698</u>	<u>751,165</u>	<u>33,518,791</u>
<u>Fund Balances:</u>					
<u>Reserved for:</u>					
Encumbrances	332,646	-	871,909	103,026	1,307,581
Property taxes	3,380,453	535,366	265,492	-	4,181,311
<u>Unreserved, designated:</u>					
Designated for budget stabilization	367,699	-	-	-	367,699
<u>Unreserved, undesignated, reported in:</u>					
General fund	445,479	-	-	-	445,479
Special revenue funds	-	-	-	639,346	639,346
Debt service fund	-	1,203,902	-	-	1,203,902
Capital projects funds	-	-	1,193,374	2	1,193,376
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,791</u>	<u>4,791</u>
Total Fund Balances	<u>4,526,277</u>	<u>1,739,268</u>	<u>2,330,775</u>	<u>747,165</u>	<u>9,343,485</u>
Total Liabilities and Fund Balances	<u>\$ 32,179,797</u>	<u>\$ 4,925,676</u>	<u>\$ 4,258,473</u>	<u>\$ 1,498,330</u>	<u>\$ 42,862,276</u>

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, 2007

Total Governmental Fund Balances:		\$ 9,343,485
 <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.		41,927,797
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		1,530,643
Bond issuance costs associated with bonds payable, are recorded as a deferred charge on the accrual basis but are not reported in the funds		415,694
Long-term liabilities which are not due and payable in the current period and therefore not reported in the funds.		
General obligation bonds payable	(5,096,711)	
Refunding bonds payable	(33,614,727)	
Accrued interest payable	(105,804)	
Premium on refunding bonds	(2,218,714)	
Deferred amount on refunding	1,773,406	
Compensated absences	(1,485,498)	
Capital leases payable	<u>(440,000)</u>	
Total		<u>(41,188,048)</u>
Net Assets of Governmental Activities		<u>\$ 12,029,571</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, 2007

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and other local taxes	\$ 19,700,728	\$ 2,930,554	\$ 1,470,920	\$ -	\$ 24,102,202
Intergovernmental	14,301,430	539,566	240,493	2,958,516	18,040,005
Interest	607,635	43,930	26,474	10,607	688,646
Tuition and fees	444,664	-	-	599,859	1,044,523
Rentals	13,413	-	-	-	13,413
Extracurricular activities	-	-	-	340,540	340,540
Gifts and donations	-	-	-	128,523	128,523
Customer sales and services	16,711	-	-	985,713	1,002,424
Miscellaneous	170,373	-	26,103	128,592	325,068
Total Revenues	<u>35,254,954</u>	<u>3,514,050</u>	<u>1,763,990</u>	<u>5,152,350</u>	<u>45,685,344</u>
Expenditures:					
Current:					
Instruction:					
Regular	17,227,624	-	564,602	1,426,991	19,219,217
Special	3,931,558	-	-	1,115,129	5,046,687
Vocational	336,786	-	-	-	336,786
Other instruction	738,706	-	-	-	738,706
Support Services:					
Pupils	2,168,335	-	-	88,787	2,257,122
Instructional staff	1,968,498	-	-	666,641	2,635,139
Board of education	211,518	-	-	-	211,518
Administration	2,554,227	-	23,671	76,749	2,654,647
Fiscal	884,684	62,367	31,246	16,030	994,327
Business	279,952	-	186,981	-	466,933
Operation and maintenance of plant	4,144,191	-	59,360	61,495	4,265,046
Pupil transportation	1,991,462	-	464	27,762	2,019,688
Central	152,643	-	-	19,280	171,923
Non-instructional services	-	-	-	1,295,352	1,295,352
Extracurricular activities	786,367	-	-	319,664	1,106,031
Capital outlay	-	-	650,219	19,738	669,957
Debt Service:					
Principal retirement	-	2,755,000	-	-	2,755,000
Interest and fiscal charges	-	1,292,453	-	-	1,292,453
Total Expenditures	<u>37,376,551</u>	<u>4,109,820</u>	<u>1,516,543</u>	<u>5,133,618</u>	<u>48,136,532</u>
Excess of Revenues Over(Under) Expenditures	<u>(2,121,597)</u>	<u>(595,770)</u>	<u>247,447</u>	<u>18,732</u>	<u>(2,451,188)</u>
Other Financing Sources (Uses):					
Transfers-In	-	-	-	20,000	20,000
Transfers-Out	(20,000)	-	-	-	(20,000)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balance	<u>(2,141,597)</u>	<u>(595,770)</u>	<u>247,447</u>	<u>38,732</u>	<u>(2,451,188)</u>
Fund Balance at Beginning of Year	<u>6,667,874</u>	<u>2,335,038</u>	<u>2,083,328</u>	<u>708,433</u>	<u>11,794,673</u>
Fund Balance at End 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>

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, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (2,451,188)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Fixed asset additions	430,438	
Current year depreciation	<u>(1,468,125)</u>	
Total		(1,037,687)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Loss on disposal of capital assets		(4,287)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	(464,364)	
Intergovernmental	109,384	
Interest	<u>48</u>	
Total		(354,932)

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

General obligation bonds	1,930,000	
Refunding bonds	395,000	
Capital leases	<u>430,000</u>	
Total		2,755,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(420,966)

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	79,186	
Amortization of bond issuance costs	(26,991)	
Amortization of bond premium	150,789	
Amortization of deferred amount on refunding	<u>(121,591)</u>	
Total		<u>81,393</u>

Change in Net Assets of Governmental Activities \$ (1,432,667)

**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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final Revised		
Revenues:				
Taxes	\$ 18,984,507	\$ 22,734,346	\$ 22,734,346	\$ -
Intergovernmental	14,783,995	14,296,620	14,296,620	-
Interest	123,800	585,941	585,941	-
Tuition and Fees	406,500	458,607	459,258	651
Rentals	9,000	13,413	13,413	-
Customer Sales and Service	10,000	16,711	16,711	-
Miscellaneous	95,000	172,964	173,009	45
Total Revenues	<u>34,412,802</u>	<u>38,278,602</u>	<u>38,279,298</u>	<u>696</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,434,715	17,377,405	17,376,966	439
Special	4,288,597	3,973,693	3,973,693	-
Vocational	339,987	336,728	336,728	-
Other Instruction	809,087	746,796	746,796	-
Support Services:				
Pupils	2,271,493	2,188,719	2,188,719	-
Instructional Staff	2,103,182	2,024,627	2,024,583	44
Board of Education	242,928	263,243	263,243	-
Administration	2,772,180	2,641,631	2,641,630	1
Fiscal	880,455	898,175	898,175	-
Business	288,010	298,559	298,559	-
Operation and Maintenance of Plant	4,546,994	4,244,946	4,244,943	3
Pupil Transportation	2,189,297	2,093,758	2,093,757	1
Central	167,878	168,251	168,251	-
Extracurricular Activities	811,410	784,039	784,039	-
Total Expenditures	<u>39,146,213</u>	<u>38,040,570</u>	<u>38,040,082</u>	<u>488</u>
Excess of Revenues Over Expenditures	(4,733,411)	238,032	239,216	1,184
Other Financing (Uses):				
Transfers-Out	(30,000)	(20,000)	(20,000)	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net Change in Fund Balances	(4,763,411)	218,032	219,216	1,184
Fund Balance at Beginning of Year	5,118,781	5,118,781	5,118,781	-
Prior Year Encumbrances Appropriated	563,935	563,935	563,935	-
Fund Balance at End of Year	<u>\$ 919,305</u>	<u>\$ 5,900,748</u>	<u>\$ 5,901,932</u>	<u>\$ 1,184</u>

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private Purpose Trust	Agency Funds
Assets:		
Equity in pooled cash and cash equivalents	\$ 91,340	\$ 201,679
Investments	37,792	-
Accrued interest receivable	326	-
Accounts receivable	-	691
 Total Assets	 129,458	 202,370
Liabilities:		
Accounts payable	-	29,293
Due to students	-	173,077
 Total Liabilities	 -	 \$ 202,370
Net Assets:		
Held in trust for scholarships	\$ 129,458	

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, 2007

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$ 3,343
Investment Earnings	<u>4,363</u>
Total Additions	<u>7,706</u>
Deductions:	
Payments in accordance with trust agreements	<u>10,857</u>
Total Deductions	<u>10,857</u>
Change in Net Assets	(3,151)
Net Assets Beginning of Year	<u>132,609</u>
Net Assets End of Year	<u><u>\$ 129,458</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, 2007

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 177 non-certificated employees, 312 certificated employees and 29 administrative employees to provide services to a student enrollment of 4,455 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, 2007

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, 2007

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, 2007

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, 2007

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, 2007, but which were levied to finance fiscal year 2008 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 2007.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated revenues. 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, 2007

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 2007, 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 2007. 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, 2007.

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 2007 amounted to \$607,635, which includes \$73,051 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 \$43,930, \$26,474, \$10,607 and \$3,343, 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, 2007, 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, 2007

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 State 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 and construction in progress are 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, 2007

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.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 3 – PRIOR PERIOD ADJUSTMENT

During the fiscal year, the School District adjusted its capital assets records to correct a few items noted during prior years. As a result of these corrections, the beginning values of buildings and equipment were reduced by \$91,420 and \$66,975, respectively. In addition, beginning accumulated depreciation was reduced by \$6,114. The total adjustment reduced the net assets, invested in capital assets net of related debt by \$152,281 at the beginning of the fiscal year. Therefore, total net assets of governmental activities were restated from \$13,614,519 previously reported to \$13,462,238 as of July 1, 2006.

NOTE 4 - ACCOUNTABILITY

At June 30, 2007, the Miscellaneous State Grants, Title VI(B), Title I, Improving Teacher Quality and Miscellaneous Federal Grants special revenue funds reported fund deficits of \$28,673, \$12,624, \$38,184, \$25,914 and \$5, respectively. These deficits resulted from adjustments for accrued liabilities. Management expects the deficit in this fund to be corrected in early fiscal year 2008. 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	\$ (2,141,597)
Revenue Accruals	3,024,344
Expenditure Accruals	(213,549)
Encumbrances	<u>(449,982)</u>
Budget Basis	<u>\$ 219,216</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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. The School District does not have a policy for custodial risk outside of the Ohio Revised Code.

At year end, the carrying amount of the School District’s deposits was \$7,566,965 and the bank balance was \$7,675,436. Of the bank balance, \$4,142,498 was covered by federal depository insurance and \$3,532,938 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, 2007, the School District’s only investment was an equity interest in the STAROhio investment pool with a carrying value of \$3,862,456. 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, 2007

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 January 20, with the remainder payable by July 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Delaware City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended June 30, 2007 was \$70.96 per \$1,000 of assessed value. The assessed values upon which the fiscal year 2007 taxes were collected are as follows:

	<u>2007 First Half Collections</u>	<u>2006 Second Half Collections</u>
Agricultural/residential and other real estate property	\$ 669,123,630	\$ 658,131,090
Public utility personal property	19,064,740	20,437,550
Tangible personal property	<u>34,863,329</u>	<u>51,068,230</u>
Total	<u>\$ 723,051,699</u>	<u>\$ 729,636,870</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of June 30, 2007. 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 deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2007 was recognized as revenue.

The amount available as an advance at June 30 was \$3,380,453 in the General Fund, \$535,366 in the Bond Retirement Debt Service Fund and \$265,492 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, 2007

NOTE 8 - RECEIVABLES

Receivables at June 30, 2007, 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:

General Fund:

Miscellaneous amounts due from other governments	\$ 12,012
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Non-Major Funds:

Food Service Subsidy	70,210
Ohio Core Grant	27,065
Title VI-B Grant	7,100
LEP, Title III Grant	11,162
Title I Grant	108,926
Title II-A Grant	78,273
Other non-major funds	<u>773</u>
Non-major Funds	<u>303,509</u>
Total Intergovernmental Receivables	<u><u>\$ 315,521</u></u>

NOTE 9 - CAPITAL ASSETS

A summary of the School District's general capital assets for fiscal year 2007 is as follows:

	Restated Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<i><u>Capital Assets, not being depreciated</u></i>				
Land	\$ 2,699,613	\$ -	\$ -	\$ 2,699,613
Construction in Progress	-	<u>153,540</u>	-	<u>153,540</u>
	<u>2,699,613</u>	<u>153,540</u>	<u>-</u>	<u>2,853,153</u>
<i><u>Capital Assets, being depreciated</u></i>				
Buildings and Improvements	51,565,789	-	-	51,565,789
Furniture and Equipment	4,532,644	276,898	-	4,809,542
Vehicles	2,850,503	-	(10,500)	2,840,003
Library and Textbooks	<u>2,546,227</u>	-	-	<u>2,546,227</u>
	<u>61,495,163</u>	<u>276,898</u>	<u>(10,500)</u>	<u>61,761,561</u>
<i><u>Less: Accumulated Depreciation</u></i>				
Buildings and Improvements	(14,173,650)	(1,022,146)	-	(15,195,796)
Furniture and Equipment	(2,948,812)	(210,395)	-	(3,159,207)
Vehicles	(1,711,866)	(191,624)	6,213	(1,897,277)
Library and Textbooks	<u>(2,390,677)</u>	<u>(43,960)</u>	-	<u>(2,434,637)</u>
	<u>(21,225,005)</u>	<u>(1,468,125) *</u>	<u>6,213</u>	<u>(22,686,917)</u>
Depreciable Capital Assets, Net	<u>40,270,158</u>	<u>(1,191,227)</u>	<u>(4,287)</u>	<u>39,074,644</u>
Total Capital Assets, Net	<u><u>\$ 42,969,771</u></u>	<u><u>\$ (1,037,687)</u></u>	<u><u>\$ (4,287)</u></u>	<u><u>\$ 41,927,797</u></u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 9 - CAPITAL ASSETS (Continued)

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

Instruction:	
Regular	\$ 191,055
Special	251
Support Services:	
Instructional support	3,135
Administration	2,397
Operation and maintenance of plant	47,770
Pupil transportation	197,509
Operation of non-instructional services	24,309
Extracurricular activities	5,229
Unallocated depreciation	<u>996,470</u>
Total Depreciation Expense	<u>\$ 1,468,125</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 2007, 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

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

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 2007, 10.68 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$887,236, \$917,950, and \$819,198, respectively; 50.0 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, 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 member 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, 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 2006, 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, 2007, 2006, and 2005, were \$2,575,525, \$2,656,821, and \$2,438,724, respectively; 82.1 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$33,500 made by the School District and \$96,934 made by the plan members.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 12 – POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$201,769 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, the same as the prior year. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$306,669.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claims costs. At June 30, 2006, SERS had 59,492 participants eligible to receive health care benefits.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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, 2007 was \$1,601,419.

NOTE 14 - LONG-TERM OBLIGATIONS

The activity of the School Districts long-term obligations during fiscal year 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due within</u> <u>One Year</u>
General Obligation Bonds:					
1994 School Construction					
Capital Appreciation 5-5.35%	\$ 1,355,569	\$ 73,494	\$ 540,000	\$ 889,063	\$ 515,000
1995 School Construction					
Current Interest Serial 3.9-5.25%	895,000	-	895,000	-	-
Capital Appreciation 5.8-6.1%	3,041,856	183,458	-	3,225,314	-
1998 School Construction					
Capital Appreciation 4.55-4.7%	1,423,700	53,634	495,000	982,334	505,000
2004 Refunding					
Current Interest Serial 2.0-5.0%	14,330,000	-	190,000	14,140,000	-
Capital Appreciation 2.3-3.05%	2,539,145	66,609	-	2,605,754	1,085,000
2005 Refunding					
Current Interest Serial 3.15-5.0%	8,915,000	-	75,000	8,840,000	55,000
Capital Appreciation 4.05%	601,249	24,598	-	625,847	-
Current Interest Term 3.7%	390,000	-	-	390,000	-
2006 Refunding					
Current Interest Serial 3.25-5.0%	5,055,000	-	130,000	4,925,000	45,000
Capital Appreciation 4.0%	574,089	24,037	-	598,126	-
Current Interest Term 4.15%	1,490,000	-	-	1,490,000	-
Deferred Amounts:					
Add: Bond Premium	2,369,503	-	150,789	2,218,714	-
Less: Deferred Amount on Refunding	<u>(1,894,997)</u>	<u>-</u>	<u>(121,591)</u>	<u>(1,773,406)</u>	<u>-</u>
Total General Obligation Bonds	41,085,114	425,830	2,354,198	39,156,746	2,205,000
Compensated Absences	1,564,684	161,206	240,392	1,485,498	175,000
Capital Lease Obligations	<u>870,000</u>	<u>-</u>	<u>430,000</u>	<u>440,000</u>	<u>440,000</u>
Total Long-Term Obligations	<u>\$ 43,519,798</u>	<u>\$ 587,036</u>	<u>\$ 3,024,590</u>	<u>\$ 41,082,244</u>	<u>\$ 2,820,000</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Legal Debt Margins

The School District's voted legal debt margin was \$27,567,117 and an unvoted debt margin of \$723,052 at June 30, 2007.

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 2008. The maturity amount of the remaining capital appreciation bonds is \$1,540,000. For fiscal year 2007, \$73,494 was accreted for a total remaining bond value of \$889,063.
- \$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 2007, \$183,458 was accreted for a total bond value of \$3,225,314.
- \$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 2006, the School District advanced refunded \$16,295,000 of this issue. The remaining capital appreciation bonds will be fully matured in 2008. The maturity amount of the remaining capital appreciation bonds is \$1,520,000. For fiscal year 2007, \$53,634 was accreted for a total remaining bond value of \$982,334.
- \$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 will mature in 2008 through 2010. The maturity amount of the bonds is \$2,700,000. For fiscal year 2007, \$66,609 was accreted for a total bond value of \$2,605,754.
- \$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 2007, \$48,635 was accreted for a total bond value of \$1,223,973.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the District's long-term general obligation bonds outstanding at June 30, 2007 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
2008	\$ 2,205,000	\$ 1,321,382	\$ 3,526,382
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
2013-2017	12,795,000	4,755,469	17,550,469
2018-2022	10,570,000	2,224,024	12,794,024
2023-2026	5,495,000	474,678	5,969,678
Total	<u>\$ 40,110,000</u>	<u>\$ 13,759,998</u>	<u>\$ 53,869,998</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 debt service fund.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the School District entered into a capitalized lease for HVAC upgrades at various school facilities. 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. Capital lease payments will be reflected as debt service expenditures in the basic financial statements for the governmental funds. The terms of the 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 assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$2,185,238, 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 2007 totaled \$430,000.

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, 2007.

Fiscal Year Ended June 30,	
2008	\$ 456,775
Total	456,775
Less: Amount Representing Interest	(16,775)
Present Value of Net Minimum Lease Payments	<u>\$ 440,000</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 16 - INTERFUND ACTIVITY

During the year ended June 30, 2007, 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 was made with no intention of repayment.

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 \$281,996 to TRECA during fiscal year 2007.

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. There were no payments from the School District to the Career Center during fiscal year 2007.

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, 2007.

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.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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.

	<u>Textbooks</u>	<u>Capital Spending</u>	<u>Total</u>
Set-aside Reserve Balance as of June 30, 2006	\$ (1,692,166)	\$ -	\$ (1,692,166)
Current Year Set-aside Requirement	674,277	674,277	1,348,554
Qualifying Disbursements	<u>(892,459)</u>	<u>(1,622,569)</u>	<u>(2,515,028)</u>
Total	<u>\$ (1,910,348)</u>	<u>\$ (948,292)</u>	<u>\$ (2,858,640)</u>
Balance Carried forward to FY 2008	<u>\$ (1,910,348)</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.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>United States Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
School Breakfast Program	043877-05PU-2006/2007	10.553	\$ 48,700	\$ -	\$ 48,700	\$ -
National School Lunch Program	043877-LLP1/LLP4-2006/2007	10.555	437,093	-	437,093	-
Special Milk Program for Children	043877-02PU-2006/2007	10.556	208	-	208	-
Summer Food Service Program for Children	043877-24PU-2006	10.559	8,726	-	8,726	-
Total Nutrition Cluster			494,727	-	494,727	-
Food Donation Program	N/A	10.550	-	104,813	-	104,813
Fresh Fruit and Vegetables Program	043877-VGS1-2006	10.582	3,437	-	3,437	-
Total United States Department of Agriculture			498,164	104,813	498,164	104,813
<u>United States Department of Education</u>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	043877-CIS1-2006/2007	84.010	380,472	-	391,747	-
Special Education Cluster:						
Special Education Grants to States	043877-6BPB/6BSF-2006/2007	84.027	1,254,442	-	1,231,298	-
Special Education Preschool Grants	043877-PGS1-2006/2007	84.173	35,875	-	38,155	-
Total Special Education Cluster			1,290,317	-	1,269,453	-
Safe and Drug Free School and Communities_State Grants	043877-DRS1-2007	84.186	14,161	-	14,161	-
Innovative Educational Program Strategies	043877-C2S1-2007	84.298	7,522	-	3,988	-
Technology Literacy Challenge Fund Grants	043877-TJS1-2007	84.318	4,695	-	4,909	-
LEP Title III	043877-T3S1/T3S2-2006/2007	84.365	19,976	-	19,818	-
Improving Teacher Quality State Grants	043877-TRS1-2007	84.367	169,230	-	181,701	-
Hurricane Education Recovery	043877-HR01-2006	84.938	8,125	-	8,125	-
Total United States Department of Education			1,894,498	-	1,893,902	-
<u>United States Department of Health and Human Services</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	N/A	93.778	4,017	-	-	-
Total United States Department of Health and Human Services			4,017	-	-	-
Totals			\$ 2,396,679	\$ 104,813	\$ 2,392,066	\$ 104,813

The accompanying notes are an integral part of this schedule.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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 fair value of the commodities received.



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 the Delaware City School District, Delaware County, Ohio (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2007. 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: 2007-001.

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. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated December 18, 2007.

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 certain noncompliance or other matters that we reported to the District's management in a separate letter dated December 18, 2007.

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, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 18, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 43302

To the Board of Education:

Compliance

We have audited the compliance of the Delaware City School District, Delaware County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its 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 its major federal program for the year ended June 30, 2007.

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, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 18, 2007

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

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)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<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):	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?	No

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

FINDING NUMBER 2007-001

Significant Deficiency

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.

The following audit adjustments were made to the June 30, 2007 financial statements.

- Adjustments were made to increase expenditures/expenses and accounts payable for the Permanent Improvement Fund and governmental activities by \$215,635 to properly account for expenditures/expenses incurred but not accrued at June 30, 2007.

DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)

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

FINDING NUMBER 2007-001 (Continued)

Significant Deficiency (continued)

2. Adjustments were made for \$153,540 to properly reflect construction in progress capital assets at June 30, 2007 in the governmental activities.

The Treasurer should review the adjustments and reclassifications identified above 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 to identify and correct errors and omissions.

Official's Response:

The District was made aware of, agreed with and recorded the audit adjustments noted above. Steps have been implemented to ensure all payables existing at year end are identified and reported. While the District does not have a formal policy requiring a review of the financial statements by management, it is important to note that the Finance Director/Treasurer does review the financial statements and note disclosures prior to submission.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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
JANUARY 29, 2008**