



Dave Yost • Auditor of State

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

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Dave Yost • 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 Delaware City School District, Delaware County, Ohio (the District), as of and for the year ended June 30, 2011, 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 Delaware City School District, Delaware County, Ohio, as of June 30, 2011, 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.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which resulted in reclassifications to its governmental fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robert R. Hinkle, CPA
Deputy Chief Auditor

November 18, 2011

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

(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, 2011. 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 2011 are as follows:

- Total net assets decreased by 4.8 percent from fiscal year 2010 due primarily to the 20.6 percent decrease in pooled cash and cash equivalents reported at June 30, 2011 compared with those of the prior year.
- Total assets of governmental activities decreased by \$3.5 million (4.4 percent) from one year prior. The decrease in current asset is associated with lower cash balances on hand at year end due to the cost of operations exceeded the revenue for 2011. The carrying value of capital assets decreased by 1.2 percent as depreciation expense for the year exceeded additions. Total liabilities decreased by \$2.8 million as the School District made scheduled debt service payments.
- General revenues accounted for \$46.2 million or 85.2 percent of total revenue. Program specific revenues in the form of charges for services, as well as operating grants and contributions account for \$8.0 million or 14.8 percent of total revenues of \$54.3 million. Total revenue reported for fiscal year 2011 was \$705,415 more than the amount reported for the prior year. Property tax revenue for the year increased by \$495,500 due to an increased in amount available for advance at year-end.
- Of the School District's \$54.9 million in expenses, only \$8.0 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 \$46.9 million.
- The General Fund, the School District's most significant fund, had an ending fund balance of \$2.9 million or 37.5 percent of the total ending fund balance for governmental funds. The other two major funds, the Debt Service and Permanent Improvement Funds, had \$2.0 million or 25.4 percent and \$2.6 million or 32.8 percent of the total ending fund balance for government funds, respectively.

Using the Basic Financial Statements

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

(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 2011?" 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 2011, the School District has three major governmental funds: the General, Debt Service and Permanent Improvement Funds.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(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 2011 compared to 2010:

**TABLE 1
NET ASSETS**

| | <u>2011</u> | <u>2010</u> |
|---|----------------------|----------------------|
| <i>Assets:</i> | | |
| Current and other Assets | \$ 39,414,418 | \$ 42,455,426 |
| Capital Assets | <u>37,051,192</u> | <u>37,501,122</u> |
| Total Assets | <u>76,465,610</u> | <u>79,956,548</u> |
| <i>Liabilities:</i> | | |
| Long-Term Liabilities | 32,826,200 | 35,011,910 |
| Other Liabilities | <u>30,617,413</u> | <u>31,267,460</u> |
| Total Liabilities | <u>63,443,613</u> | <u>66,279,370</u> |
| <i>Net Assets:</i> | | |
| Invested in Capital Assets, Net of Debt | 8,255,663 | 7,106,503 |
| Restricted | 3,193,505 | 3,389,257 |
| Unrestricted | <u>1,572,829</u> | <u>3,181,418</u> |
| Total Net Assets | <u>\$ 13,021,997</u> | <u>\$ 13,677,178</u> |

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2011, the School District's total net assets were \$13.0 million. Of that amount, approximately \$8.3 million was invested in capital assets, net of debt related to those assets. Another \$3.2 million was subject to external restrictions upon its use. The remaining \$1.6 million was unrestricted and available for future use as directed by the Board of Education and the School District's Administration. The decrease in unrestricted net assets resulted primarily from the decrease in the cash balances on hand at the end of the current fiscal year due to the cost of operations exceeding revenues. Capital assets also decreased from 2010 levels as depreciation expense exceeding current year capital asset additions. Decreases in liabilities resulted from scheduled debt payments and lower amounts being reported for accounts payable at June 30, 2011.

Table 2 shows the changes in net assets for fiscal year 2011 as compared to those for fiscal year 2010.

**TABLE 2
CHANGES IN NET ASSETS**

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| Revenues | | |
| Program Revenues: | | |
| Charges for Services | \$ 2,751,379 | \$ 2,785,195 |
| Operating Grants and Contributions | 5,288,347 | 5,389,975 |
| General Revenues: | | |
| Property Taxes | 27,664,802 | 27,169,302 |
| Grants and Entitlements | 18,094,408 | 17,780,710 |
| Other | <u>469,462</u> | <u>437,801</u> |
| Total Revenues | <u>54,268,398</u> | <u>53,562,983</u> |
| Program Expenses | | |
| Instruction | 31,348,860 | 29,469,954 |
| Support Services: | | |
| Pupil and Instructional Staff | 5,621,484 | 5,863,827 |
| Board of Education, Administration, Fiscal and Business | 4,602,643 | 4,612,421 |
| Plant Operation and Maintenance | 4,547,833 | 4,939,323 |
| Pupil Transportation | 3,374,544 | 3,587,477 |
| Central | 152,308 | 156,573 |
| Operation of Non-Instructional Services | 1,781,285 | 1,842,216 |
| Extracurricular Activities | 1,166,815 | 1,372,834 |
| Unallocated Depreciation | 949,603 | 951,944 |
| Interest and Fiscal Charges | <u>1,378,204</u> | <u>1,473,101</u> |
| Total Expenses | <u>54,923,579</u> | <u>54,269,670</u> |
| Change in Net Assets | <u>\$ (655,181)</u> | <u>\$ (706,687)</u> |

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

(Unaudited)

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 51 percent of the total revenue for governmental activities for the Delaware City School District for fiscal year 2011, the same as fiscal year 2010. Property tax revenue increased by \$495,500 due to increased property tax collections realized in fiscal year 2011 and total intergovernmental sources increased by just over \$212,000 due to changes in the state funding method as well as ARRA grant programs. The funding of the ARRA programs will end shortly into fiscal year 2012, which will increase the percentage of operations funded through local sources in the upcoming fiscal years.

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 2011 as compared with fiscal year 2010.

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

| | 2011 | | 2010 | |
|--|--------------------------|------------------------|--------------------------|------------------------|
| | Total Cost of Service | Net Cost of Service | Total Cost of Service | Net Cost of Service |
| Instruction | \$ 31,349 | \$ 26,366 | \$ 29,470 | \$ 25,020 |
| Support Services: | | | | |
| Pupil and Instructional Staff | 5,621 | 4,947 | 5,864 | 5,034 |
| Board of Education, Administration, Fiscal and Business | 4,603 | 4,409 | 4,612 | 4,296 |
| Plant Operation and Maintenance | 4,548 | 4,511 | 4,939 | 4,675 |
| Pupil Transportation | 3,375 | 3,259 | 3,588 | 3,483 |
| Central | 152 | 147 | 157 | 148 |
| Operation of Non-Instructional Services | 1,781 | 50 | 1,842 | (46) |
| Extracurricular Activities | 1,167 | 867 | 1,373 | 1,060 |
| Unallocated Depreciation | 950 | 950 | 952 | 952 |
| Interest and Fiscal Charges | 1,378 | 1,378 | 1,473 | 1,473 |
| Total Expenses | <u>\$ 54,924</u> | <u>\$ 46,884</u> | <u>\$ 54,270</u> | <u>\$ 46,095</u> |

Total expenditures of the School District increased by 1.2 percent in fiscal year 2011 compared with the previous year. The majority of the School District's functional areas are driven by the cost of personnel (wages and fringe benefits). The efforts to maintain costs are affected by annual wage adjustments and the ever increasing cost of providing employees the necessary fringe benefits. While management is attempting to effectively manage fringe benefit costs in every manner possible, the increasing cost of healthcare insurance coverage makes cost containment difficult at best.

While Instruction related expenses increased by \$1.9 million in fiscal year 2011 compared with fiscal year 2010 due to the reasons set forth above, the remaining functional areas reported decreased by \$1.2 million. This is an indication that management's efforts to control operating costs are currently being focused on areas which do not directly affect pupil instruction.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

(Unaudited)

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

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$55.0 million and expenditures of \$56.6 million. The net change in fund balance was most significant in the General Fund, a decrease of \$1.9 million due to increasing cost of operations. Total General Fund revenue increased by \$1.4 million over restated amounts for 2010; however, expenditures reported for 2011 were \$838,492 higher than the restated amounts reported for the prior year. The overall fund balance reported in the General Fund decreased to \$2.9 million, of which approximately \$225,000 was reported as non-spendable and the remaining \$2.7 million was assigned. The majority of the assigned fund balance represents fund balance used to balance the general fund's budget in the subsequent year.

Of the remaining two major funds, the Debt Service Fund reported a \$72,426 increase in fund balance and the Permanent Improvement Fund reported a \$97,211 increase in fund balance for fiscal year 2011 due to higher property tax collection compared with the year prior.

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 \$40.8 million as compared to the original budget estimates of \$40.4 million. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$44.2 million, or just over \$421,000 (less than 1.0 percent) more 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 2011, the School District had \$37.1 million invested in land, buildings, furniture and equipment, vehicles, and textbooks and library books in governmental activities. Table 4 shows fiscal year 2011 balances compared to 2010, however for greater detail readers should review Note 10 to the basic financial statements.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

TABLE 4
CAPITAL ASSETS AT JUNE 30

| | <u>2011</u> | <u>2010</u> |
|--------------------------------|----------------------|----------------------|
| Land | \$ 2,782,266 | \$ 2,782,266 |
| Buildings and Improvements | 53,255,969 | 52,507,126 |
| Equipment | 2,786,246 | 2,859,565 |
| Vehicles | 3,561,083 | 3,240,453 |
| Textbooks & Library Books | 1,266,410 | 1,266,410 |
| Less: Accumulated Depreciation | <u>(26,600,782)</u> | <u>(25,154,698)</u> |
| Total Net Capital Assets | <u>\$ 37,051,192</u> | <u>\$ 37,501,122</u> |

Overall, net capital assets decreased \$449,930 from fiscal year 2010. This decrease in net capital assets results from the current year depreciation expense being a greater amount than current year acquisition of capital assets.

Significant capital asset acquisitions by the School District during the fiscal year included; new grandstand restroom facilities (\$544,267), the purchase of new school busses (\$320,630), and the roof replacement at Willis Intermediate School (\$173,202). Total capital asset additions for the year were valued at \$1.1 million. In addition, capital assets with a carrying value of \$30,391 were disposed of during the year and depreciation expense for the year totaled \$1.5 million.

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, 2011, the School District had four general obligation bond issues outstanding with a combined outstanding principal of \$30.9 million, of which \$2.4 million is due within one year. Three of the outstanding bond issues were used to advance refund portions of school construction bonds issued in the 1990's to achieve savings on reduced debt service payments in the future. Total principal payments made on all bond issues during fiscal year 2011 were \$2.3 million.

Other significant obligations include \$72,154 of capital lease obligations associated with the acquisition of copiers that are being utilized throughout the School District, and \$1.6 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 \$32.8 million at June 30, 2011 with approximately \$2.7 million being due within one year.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

At June 30, 2011, the School District's overall legal debt margin was \$33.0 million and the unvoted debt margin was \$726,300.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Notes 15 and 16 to the basic financial statements.

Contacting the School District's Financial Management

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

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Governmental Activities |
|---|----------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 9,495,638 |
| Investments | 4,900 |
| Materials and supplies inventory | 113,132 |
| Accrued interest receivable | 279 |
| Accounts receivable | 29,603 |
| Intergovernmental receivable | 736,310 |
| Prepaid items | 129,235 |
| Property and other local taxes receivables | 28,597,591 |
| Unamortized bond issuance costs | 307,730 |
| Capital assets: | |
| Non-depreciable | 2,782,266 |
| Depreciable, net of accumulated depreciation | 34,268,926 |
| Total Assets | 76,465,610 |
| Liabilities: | |
| Accounts payable | 891,778 |
| Accrued wages and benefits payable | 4,742,454 |
| Intergovernmental payable | 1,175,425 |
| Accrued interest payable | 99,359 |
| Matured compensated absences payable | 205,453 |
| Unearned revenue | 23,502,944 |
| Long Term Liabilities: | |
| Due within one year | 2,682,197 |
| Due in more than one year | 30,144,003 |
| Total Liabilities | 63,443,613 |
| Net Assets: | |
| Invested in capital assets, net of related debt | 8,255,663 |
| Restricted for: | |
| Capital projects | 2,602,384 |
| Perpetual care: | |
| Expendable | 792 |
| Nonexpendable | 4,200 |
| Other purposes | 586,129 |
| Unrestricted | 1,572,829 |
| Total Net Assets | \$ 13,021,997 |

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|---|---------------|---------------------------------|---------------------------------------|--|
| | Expenses | Charges for services & sales | Operating grants and contributions | Total Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 22,539,999 | \$ 1,361,358 | \$ 1,609,149 | \$ (19,569,492) |
| Special | 6,254,257 | - | 1,913,332 | (4,340,925) |
| Vocational | 307,590 | - | - | (307,590) |
| Student intervention services | 108,645 | - | - | (108,645) |
| Other | 2,138,369 | - | 98,461 | (2,039,908) |
| Support Services: | | | | |
| Pupils | 2,468,366 | - | 66,714 | (2,401,652) |
| Instructional staff | 3,153,118 | - | 608,033 | (2,545,085) |
| Board of education | 163,664 | - | - | (163,664) |
| Administration | 2,930,373 | 95,836 | 97,571 | (2,736,966) |
| Fiscal | 1,135,862 | - | - | (1,135,862) |
| Business | 372,744 | - | - | (372,744) |
| Operation and maintenance of plant | 4,547,833 | 18,971 | 18,200 | (4,510,662) |
| Pupil transportation | 3,374,544 | 1,595 | 114,121 | (3,258,828) |
| Central | 152,308 | - | 5,000 | (147,308) |
| Operation of non-instructional services | 1,781,285 | 976,268 | 755,203 | (49,814) |
| Extracurricular activities | 1,166,815 | 297,351 | 2,563 | (866,901) |
| Interest and fiscal charges | 1,378,204 | - | - | (1,378,204) |
| Unallocated depreciation * | 949,603 | - | - | (949,603) |
| Total Governmental Activities | \$ 54,923,579 | \$ 2,751,379 | \$ 5,288,347 | (46,883,853) |

General Revenues:

| | |
|--|---------------|
| Property taxes and other local taxes: | |
| Levied for general purposes | 22,881,148 |
| Levied for debt service | 3,013,956 |
| Levied for capital improvements | 1,769,698 |
| Grants and entitlements not restricted to specific programs | 18,094,408 |
| Investment earnings | 18,970 |
| Miscellaneous | 450,492 |
| Total General Revenues | 46,228,672 |
| Changes in net assets | (655,181) |
| Net assets at beginning of year | 13,677,178 |
| Net assets at end of year | \$ 13,021,997 |

* - 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, 2011**

| | General Fund | Debt Service Fund | Permanent Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------------------|--------------------------------|--------------------------------|
| <u>Assets:</u> | | | | | |
| Equity in pooled cash and cash equivalents | \$ 4,916,481 | \$ 1,490,794 | \$ 2,467,947 | \$ 620,416 | \$ 9,495,638 |
| Investments | - | - | - | 4,900 | 4,900 |
| Materials and supplies inventory | 95,307 | - | - | 17,825 | 113,132 |
| Accrued interest receivable | 141 | 38 | 65 | 35 | 279 |
| Accounts receivable | 27,063 | - | - | 2,540 | 29,603 |
| Intergovernmental receivable | 16,213 | - | - | 720,097 | 736,310 |
| Prepaid items | 129,235 | - | - | - | 129,235 |
| Property and other local taxes receivable | 23,638,050 | 3,132,614 | 1,826,927 | - | 28,597,591 |
| | <u>\$ 28,822,490</u> | <u>\$ 4,623,446</u> | <u>\$ 4,294,939</u> | <u>\$ 1,365,813</u> | <u>\$ 39,106,688</u> |
| <u>Liabilities and Fund Balances:</u> | | | | | |
| <u>Liabilities:</u> | | | | | |
| Accounts payable | \$ 476,955 | \$ - | \$ 193,673 | \$ 221,150 | \$ 891,778 |
| Accrued wages and benefits | 4,381,845 | - | - | 360,609 | 4,742,454 |
| Intergovernmental payable | 1,087,703 | - | - | 87,722 | 1,175,425 |
| Matured compensated absences payable | 179,108 | - | - | 26,345 | 205,453 |
| Deferred revenue | 19,769,265 | 2,645,237 | 1,540,236 | 340,230 | 24,294,968 |
| | <u>25,894,876</u> | <u>2,645,237</u> | <u>1,733,909</u> | <u>1,036,056</u> | <u>31,310,078</u> |
| <u>Fund Balances:</u> | | | | | |
| Nonspendable | 224,542 | - | - | 22,025 | 246,567 |
| Restricted | - | 1,978,209 | 2,561,030 | 317,939 | 4,857,178 |
| Assigned | 2,703,072 | - | - | - | 2,703,072 |
| Unassigned (Deficit) | - | - | - | (10,207) | (10,207) |
| | <u>2,927,614</u> | <u>1,978,209</u> | <u>2,561,030</u> | <u>329,757</u> | <u>7,796,610</u> |
| Total Fund Balances | <u>2,927,614</u> | <u>1,978,209</u> | <u>2,561,030</u> | <u>329,757</u> | <u>7,796,610</u> |
| Total Liabilities and Fund Balances | <u>\$ 28,822,490</u> | <u>\$ 4,623,446</u> | <u>\$ 4,294,939</u> | <u>\$ 1,365,813</u> | <u>\$ 39,106,688</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, 2011

| | | |
|---|-----------------|----------------------|
| Total Governmental Fund Balances: | | \$ 7,796,610 |
| <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. | | 37,051,192 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | 792,024 |
| Bond issuance costs associated with bonds payable, are recorded as a deferred charge on the accrual basis but are not reported in the funds | | 307,730 |
| Long-term liabilities which are not due and payable in the current period and therefore not reported in the funds. | | |
| General obligation bonds payable | (1,914,184) | |
| Refunding bonds payable | (28,960,521) | |
| Accrued interest payable | (99,359) | |
| Premium on refunding bonds | (1,615,558) | |
| Deferred amount on refunding | 1,287,042 | |
| Compensated absences | (1,550,825) | |
| Capital leases payable | <u>(72,154)</u> | |
| Total | | <u>(32,925,559)</u> |
| Net Assets of Governmental Activities | | <u>\$ 13,021,997</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, 2011

| | General Fund | Debt Service Fund | Permanent Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|----------------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Property and other local taxes | \$ 23,287,863 | \$ 3,066,877 | \$ 1,801,199 | \$ - | \$ 28,155,939 |
| Intergovernmental | 17,225,068 | 544,899 | 449,111 | 5,258,768 | 23,477,846 |
| Interest | 14,316 | 1,801 | 2,815 | 38 | 18,970 |
| Tuition and fees | 1,360,505 | - | - | - | 1,360,505 |
| Rentals | 18,971 | - | - | - | 18,971 |
| Extracurricular activities | 95,100 | - | - | 280,197 | 375,297 |
| Gifts and donations | 97,584 | - | - | 2,563 | 100,147 |
| Customer sales and services | 17,088 | - | - | 979,518 | 996,606 |
| Miscellaneous | 384,559 | - | 27,000 | 38,933 | 450,492 |
| Total Revenues | 42,501,054 | 3,613,577 | 2,280,125 | 6,560,017 | 54,954,773 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 20,486,738 | - | 643,847 | 1,309,427 | 22,440,012 |
| Special | 4,209,782 | - | - | 2,014,034 | 6,223,816 |
| Vocational | 310,320 | - | - | - | 310,320 |
| Student Intervention Services | 108,645 | - | - | - | 108,645 |
| Other instruction | 1,957,169 | - | - | 181,200 | 2,138,369 |
| Support Services: | | | | | |
| Pupils | 2,350,503 | - | - | 138,180 | 2,488,683 |
| Instructional staff | 2,532,755 | - | - | 598,341 | 3,131,096 |
| Board of education | 163,664 | - | - | - | 163,664 |
| Administration | 2,765,117 | - | 11,379 | 141,175 | 2,917,671 |
| Fiscal | 1,010,428 | 52,512 | 31,019 | - | 1,093,959 |
| Business | 313,856 | - | 58,585 | - | 372,441 |
| Operation and maintenance of plant | 4,438,969 | - | 19,760 | 38,040 | 4,496,769 |
| Pupil transportation | 2,754,139 | - | 360,014 | 7,854 | 3,122,007 |
| Central | 143,832 | - | - | 5,000 | 148,832 |
| Non-instructional services | 44,690 | - | - | 1,732,010 | 1,776,700 |
| Extracurricular activities | 809,683 | - | - | 346,307 | 1,155,990 |
| Capital outlay | - | - | 997,972 | - | 997,972 |
| Debt Service: | | | | | |
| Principal retirement | - | 2,275,000 | 53,452 | - | 2,328,452 |
| Interest and fiscal charges | - | 1,213,639 | 6,886 | - | 1,220,525 |
| Total Expenditures | 44,400,290 | 3,541,151 | 2,182,914 | 6,511,568 | 56,635,923 |
| Excess of Revenues Over(Under) Expenditures | (1,899,236) | 72,426 | 97,211 | 48,449 | (1,681,150) |
| Other Financing Sources (Uses): | | | | | |
| Transfers-In | - | - | - | 20,000 | 20,000 |
| Transfers-Out | (20,000) | - | - | - | (20,000) |
| Total Other Financing Sources (Uses) | (20,000) | - | - | 20,000 | - |
| Net Change in Fund Balance | (1,919,236) | 72,426 | 97,211 | 68,449 | (1,681,150) |
| Fund Balance at Beginning of Year - restated | 4,846,850 | 1,905,783 | 2,463,819 | 261,308 | 9,477,760 |
| Fund Balance at End of Year | \$ 2,927,614 | \$ 1,978,209 | \$ 2,561,030 | \$ 329,757 | \$ 7,796,610 |

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, 2011

| | | |
|---|--------------------|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$ (1,681,150) |
| <u>Amounts reported for governmental activities in the statement of activities are different because:</u> | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following represents the capital asset activity for the year.</p> | | |
| Capital asset acquisition cost | 1,098,641 | |
| Current year depreciation | <u>(1,518,180)</u> | |
| Total | | (419,539) |
| <p>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.</p> | | |
| Book value of disposed capital assets | | (30,391) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Taxes | (491,137) | |
| Intergovernmental | <u>(195,238)</u> | |
| Total | | (686,375) |
| <p>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.</p> | | |
| General obligation bonds | 1,000,000 | |
| Refunding bonds | 1,275,000 | |
| Capital leases | <u>53,452</u> | |
| Total | | 2,328,452 |
| <p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p> | | |
| | | 3,555 |
| <p>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.</p> | | |
| Compensated absences | 18,492 | |
| Amortization of bond issuance costs | (26,991) | |
| Accreted interest on capital appreciation bonds | (190,432) | |
| Amortization of bond premium | 150,789 | |
| Amortization of deferred amount on refunding | <u>(121,591)</u> | |
| Total | | <u>(169,733)</u> |
| Change in Net Assets of Governmental Activities | | <u>\$ (655,181)</u> |

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|----------------------------|----------------------------|----------------------------|-------------------------------|
| | Original | Final Revised | | |
| Revenues: | | | | |
| Taxes | \$ 22,434,912 | \$ 22,780,284 | \$ 22,780,284 | \$ - |
| Intergovernmental | 17,310,210 | 17,224,362 | 17,224,362 | - |
| Interest | 25,000 | 15,728 | 15,728 | - |
| Tuition and Fees | 430,600 | 497,286 | 498,243 | 957 |
| Rentals | 20,000 | 18,971 | 18,971 | - |
| Customer Sales and Service | 12,000 | 9,831 | 9,831 | - |
| Miscellaneous | 169,300 | 233,015 | 233,259 | 244 |
| Total Revenues | <u>40,402,022</u> | <u>40,779,477</u> | <u>40,780,678</u> | <u>1,201</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 19,902,591 | 19,652,871 | 19,652,871 | - |
| Special | 3,874,931 | 4,332,277 | 4,332,278 | (1) |
| Vocational | 369,121 | 323,310 | 323,310 | - |
| Student Intervention Services | 90,851 | 108,645 | 108,645 | - |
| Other Instruction | 1,426,071 | 2,007,693 | 2,007,693 | - |
| Support Services: | | | | |
| Pupils | 2,576,996 | 2,366,351 | 2,366,351 | - |
| Instructional Staff | 2,610,668 | 2,556,026 | 2,555,992 | 34 |
| Board of Education | 240,716 | 216,642 | 216,642 | - |
| Administration | 2,647,388 | 2,880,071 | 2,880,072 | (1) |
| Fiscal | 1,009,917 | 970,626 | 970,626 | - |
| Business | 335,528 | 319,907 | 319,907 | - |
| Operation and Maintenance of Plant | 5,022,111 | 4,725,287 | 4,725,289 | (2) |
| Pupil Transportation | 2,668,156 | 2,796,650 | 2,796,649 | 1 |
| Central | 173,124 | 160,360 | 160,360 | - |
| Extracurricular Activities | 847,939 | 800,432 | 800,432 | - |
| Total Expenditures | <u>43,796,108</u> | <u>44,217,148</u> | <u>44,217,117</u> | <u>31</u> |
| Excess of Revenues Over Expenditures | (3,394,086) | (3,437,671) | (3,436,439) | 1,232 |
| Other Financing (Uses): | | | | |
| Refund of Prior Year Expenditures | - | 15,855 | 15,855 | - |
| Advances-In | - | 10,731 | 10,731 | - |
| Transfers-Out | (20,000) | (20,000) | (20,000) | - |
| Total Other Financing Sources (Uses) | <u>(20,000)</u> | <u>6,586</u> | <u>6,586</u> | <u>-</u> |
| Net Change in Fund Balances | (3,414,086) | (3,431,085) | (3,429,853) | 1,232 |
| Fund Balance at Beginning of Year | 6,100,518 | 6,100,518 | 6,100,518 | - |
| Prior Year Encumbrances Appropriated | 359,666 | 359,666 | 359,666 | - |
| Fund Balance at End of Year | <u>\$ 3,046,098</u> | <u>\$ 3,029,099</u> | <u>\$ 3,030,331</u> | <u>\$ 1,232</u> |

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

| | Private Purpose Trust | Agency Funds |
|--|--------------------------|-----------------|
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$ 38,960 | \$ 188,533 |
| Investments | 81,341 | - |
| Accrued interest receivable | 1,001 | - |
| Accounts receivable | - | 403 |
| Total Assets | 121,302 | 188,936 |
| Liabilities: | | |
| Accounts payable | - | 9,917 |
| Due to students | - | 179,019 |
| Total Liabilities | - | \$ 188,936 |
| Net Assets: | | |
| Held in trust for scholarships | \$ 121,302 | |

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, 2011

| | <u>Private Purpose Trust</u> |
|--|--------------------------------------|
| Additions: | |
| Gifts and Donations | \$ 2,328 |
| Investment Earnings | <u>1,155</u> |
| Total Additions | <u>3,483</u> |
| Deductions: | |
| Payments in accordance with trust agreements | <u>4,456</u> |
| Total Deductions | <u>4,456</u> |
| Change in Net Assets | (973) |
| Net Assets Beginning of Year | <u>122,275</u> |
| Net Assets End of Year | <u><u>\$ 121,302</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, 2011

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 146 non-certificated employees, 409 certificated employees, including 29 administrative employees, to provide services to a student enrollment of 5,202 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 18 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, 2011

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) guidance effective 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, 2011

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, 2011

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, 2011

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, 2011, but which were levied to finance fiscal year 2012 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 2011.

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, 2011

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 2011, investments were limited to 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 2011. 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, 2011.

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 2011 amounted to \$14,316, which includes \$3,924 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 \$1,801, \$2,815, \$38 and \$1,155, 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, 2011, 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, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Estimates

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

K. Capital Assets and Depreciation

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

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

All reported capital assets except for land 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, 2011

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. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because there are in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District’s governing board. Those committed amounts cannot be used for any other purpose unless the governing board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District’s governing board.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the following change to fund balances at June 30, 2010, as previously reported:

| | General Fund | Non-Major Governmental Funds |
|---|---------------------|------------------------------------|
| Fund Balance, June 30, 2010, as previously reported | \$ 3,612,987 | \$ 1,495,171 |
| Reclassification of funds required by GASB Statement No. 54 | <u>1,233,863</u> | <u>(1,233,863)</u> |
| Fund Balance, June 30, 2010, as restated | <u>\$ 4,846,850</u> | <u>\$ 261,308</u> |

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 4 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| <u>Fund Balances</u> | <u>General</u> | <u>Bond Retirement</u> | <u>Permanent Improvement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|-----------------------------|---------------------|------------------------|------------------------------|------------------------------------|---------------------|
| Nonspendable for: | | | | | |
| Inventory and Prepays | \$ 224,542 | \$ - | \$ - | \$ 17,825 | \$ 242,367 |
| Library and Land Trust | - | - | - | 4,200 | 4,200 |
| Total Nonspendable | <u>224,542</u> | <u>-</u> | <u>-</u> | <u>22,025</u> | <u>246,567</u> |
| Restricted for: | | | | | |
| Debt Service | - | 1,978,209 | - | - | 1,978,209 |
| Capital Improvements | - | - | 2,561,030 | - | 2,561,030 |
| Food Service Operations | - | - | - | 50,611 | 50,611 |
| Library and Land Trust | - | - | - | 792 | 792 |
| District Managed Activities | - | - | - | 112,531 | 112,531 |
| State Educational Grants | - | - | - | 47,440 | 47,440 |
| Federal Education Grants | - | - | - | 106,565 | 106,565 |
| Total Restricted | <u>-</u> | <u>1,978,209</u> | <u>2,561,030</u> | <u>317,939</u> | <u>4,857,178</u> |
| Assigned for: | | | | | |
| School Programs | 56,920 | - | - | - | 56,920 |
| Subsequent Expenditures | 229,196 | - | - | - | 229,196 |
| Subsequent Appropriations | 2,416,956 | - | - | - | 2,416,956 |
| Total Assigned | <u>2,703,072</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,703,072</u> |
| Unassigned (Deficit) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(10,207)</u> | <u>(10,207)</u> |
| Total Fund Balances | <u>\$ 2,927,614</u> | <u>\$ 1,978,209</u> | <u>\$ 2,561,030</u> | <u>\$ 329,757</u> | <u>\$ 7,796,610</u> |

NOTE 5 - ACCOUNTABILITY

At June 30, 2011, the State Fiscal Stabilization, Title I, and Preschool Grant for the Handicapped non-major special revenue funds reported fund deficits of \$109, \$10,025, and \$73, respectively. These deficits resulted from adjustments for accrued liabilities. Management expects the deficits in the above mentioned funds to be corrected in early fiscal year 2012. The general fund is liable for any deficit in other funds and provides operating transfers when cash is required, not when accruals occur.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 6 - 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 for the general fund 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).
4. Advances out are treated as other financing uses (budget basis) rather than an inter-fund receivable (GAAP basis).
5. For GAAP reporting purposes, certain funds which are budgeted separately from the general fund, are reported as part of the general fund.

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 | \$ (1,919,236) |
| Revenue Accruals | (507,413) |
| Expenditure Accruals | (495,792) |
| Encumbrances | (500,412) |
| Advances In | 10,731 |
| Change in Fund Balance of Funds Combined with General Fund for Reporting Purposes | <u>(17,731)</u> |
| Budget Basis | <u>\$ (3,429,853)</u> |

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

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

Deposits

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

At year end, the carrying amount of the School District’s deposits was \$4,863,064 and the bank balance was \$5,253,249; \$2,336,241 of the bank balance was covered by federal depository insurance and the remaining \$2,917,008 was covered by pledged collateral pools.

Investments

Investments are reported at fair value. As of June 30, 2011, the School District’s only investment was an equity interest in the STAROhio investment pool with a carrying value of \$4,946,308. 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, 2011

NOTE 8 - 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. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected.

Real property taxes are payable annually or semi-annually. The first payment is due February 10, with the remainder payable by July 10.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Delaware City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended June 30, 2011 was \$70.62 per \$1,000 of assessed value. The assessed values upon which the fiscal year 2011 taxes were collected are as follows:

| | <u>2011 First Half Collections</u> | <u>2010 Second Half Collections</u> |
|--|--|---|
| Agricultural/residential and other real estate property | \$ 703,647,190 | \$ 706,235,230 |
| Public utility personal property | 22,653,280 | 20,223,180 |
| Tangible personal property | <u>-</u> | <u>769,695</u> |
| Total | <u>\$ 726,300,470</u> | <u>\$ 727,228,105</u> |

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of June 30, 2011. 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, 2011 was recognized as revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 9 - RECEIVABLES

Receivables at June 30, 2011, 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 | \$ 16,213 |
|--|-----------|

Non-major Governmental Funds:

| | |
|-------------------------------------|-------------------|
| Title VI-B Grant | 204,391 |
| Food Service Subsidy | 131,756 |
| Title I Grant | 129,174 |
| Title II-A | 108,407 |
| Other non-major funds | <u>146,369</u> |
| Non-major Funds | <u>720,097</u> |
| Total Intergovernmental Receivables | <u>\$ 736,310</u> |

NOTE 10 - CAPITAL ASSETS

A summary of the School District's general capital assets for fiscal year 2011 is as follows:

| | <u>Balance</u> <u>July 1, 2010</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2011</u> |
|---|---------------------------------------|----------------------|--------------------|--|
| <i><u>Capital Assets, not being depreciated</u></i> | | | | |
| Land | \$ 2,782,266 | \$ - | \$ - | \$ 2,782,266 |
| <i><u>Capital Assets, being depreciated</u></i> | | | | |
| Buildings and Improvements | 52,507,126 | 748,843 | - | 53,255,969 |
| Furniture and Equipment | 2,859,565 | 29,168 | (102,487) | 2,786,246 |
| Vehicles | 3,240,453 | 320,630 | - | 3,561,083 |
| Library and Textbooks | <u>1,266,410</u> | <u>-</u> | <u>-</u> | <u>1,266,410</u> |
| Total Depreciable Capital Assets | <u>59,873,554</u> | <u>1,098,641</u> | <u>(102,487)</u> | <u>60,869,708</u> |
| <i><u>Less: Accumulated Depreciation</u></i> | | | | |
| Buildings and Improvements | (19,989,065) | (1,042,727) | - | (21,031,792) |
| Furniture and Equipment | (1,930,273) | (188,917) | 72,096 | (2,047,094) |
| Vehicles | (1,997,498) | (257,988) | - | (2,255,486) |
| Library and Textbooks | <u>(1,237,862)</u> | <u>(28,548)</u> | <u>-</u> | <u>(1,266,410)</u> |
| Total Accumulated Depreciation | <u>(25,154,698)</u> | <u>(1,518,180) *</u> | <u>72,096</u> | <u>(26,600,782)</u> |
| Depreciable Capital Assets, Net | <u>34,718,856</u> | <u>(419,539)</u> | <u>(30,391)</u> | <u>34,268,926</u> |
| Total Capital Assets, Net | <u>\$ 37,501,122</u> | <u>\$ (419,539)</u> | <u>\$ (30,391)</u> | <u>\$ 37,051,192</u> |

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 10 - CAPITAL ASSETS (Continued)

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

| | |
|---|----------------------------|
| Instruction: | |
| Regular | \$ 83,550 |
| Vocational | 498 |
| Support Services: | |
| Instructional support | 31,261 |
| Administration | 2,757 |
| Operation and maintenance of plant | 142,401 |
| Pupil transportation | 264,738 |
| Operation of non-instructional services | 10,989 |
| Extracurricular activities | 32,383 |
| Unallocated depreciation | 949,603 |
| Total Depreciation Expense | <u>\$ 1,518,180</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 11 - 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 2011, 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 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,079,724, \$1,126,224 and \$987,408 respectively; 100.0 percent has been contributed for fiscal year 2011, 58.3 percent for fiscal year 2010, and 100 percent for 2009.

B. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2011, 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 2010, 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, 2011, 2010, and 2009 were \$3,176,904, \$3,281,070, and \$2,898,586 respectively; 84.5 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$138,189.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$248,475, \$173,921, and \$429,446 respectively; 100.0 percent has been contributed for fiscal year 2011, 58.3 percent for fiscal year 2010, and 100 percent for 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$58,614, \$61,138, and \$46,549 respectively; 100.0 percent has been contributed for fiscal year 2011, 58.3 percent for fiscal year 2010, and 100 percent for 2009.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 13 – POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$226,922, \$234,362, and \$207,042 respectively; 84.5 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 14 – 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. As of June 30, 2011, the District's total obligation for sick leave accrual as a whole was \$1,756,278.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 15 - LONG-TERM OBLIGATIONS

The activity of the School Districts long-term obligations during fiscal year 2011 was as follows:

| | Balance July 1, 2010 | Increase | Decrease | Balance June 30, 2011 | Due within One Year |
|------------------------------------|-------------------------|------------|--------------|--------------------------|------------------------|
| General Obligation Bonds: | | | | | |
| 1995 School Construction | | | | | |
| Capital Appreciation 5.8-6.1% | \$ 2,779,842 | \$ 134,342 | \$ 1,000,000 | \$ 1,914,184 | \$ 1,030,000 |
| 2004 Refunding | | | | | |
| Current Interest Serial 2.0-5.0% | 14,005,000 | - | 590,000 | 13,415,000 | 615,000 |
| 2005 Refunding | | | | | |
| Current Interest Serial 3.15-5.0% | 8,730,000 | - | - | 8,730,000 | - |
| Capital Appreciation 4.05% | 705,844 | 28,876 | - | 734,720 | - |
| Current Interest Term 3.7% | 330,000 | - | 60,000 | 270,000 | 65,000 |
| 2006 Refunding | | | | | |
| Current Interest Serial 3.25-5.0% | 4,245,000 | - | 625,000 | 3,620,000 | 660,000 |
| Capital Appreciation 4.0% | 673,587 | 27,214 | - | 700,801 | - |
| Current Interest Term 4.15% | 1,490,000 | - | - | 1,490,000 | - |
| Deferred Amounts: | | | | | |
| Add: Bond Premium | 1,766,347 | - | 150,789 | 1,615,558 | - |
| Less: Deferred Amount on Refunding | (1,408,633) | - | (121,591) | (1,287,042) | - |
| Total General Obligation Bonds | 33,316,987 | 190,432 | 2,304,198 | 31,203,221 | 2,370,000 |
| Compensated Absences | 1,569,317 | 223,621 | 242,113 | 1,550,825 | 255,000 |
| Capital Lease Obligations | 125,606 | - | 53,452 | 72,154 | 57,197 |
| Total Long-Term Obligations | \$ 35,011,910 | \$ 414,053 | \$ 2,599,763 | \$ 32,826,200 | \$ 2,682,197 |

Legal Debt Margins

The School District's voted legal debt margin was \$33,001,638 and an unvoted debt margin of \$726,300 at June 30, 2011.

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:

- \$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 fiscal years 2010-2013. The maturity amount of the bonds is \$4,050,000. During the fiscal year, \$134,342 was accreted and \$1,000,000 of capital appreciation bonds were retired, leaving a total remaining bond value of \$1,914,184.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

- \$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 fully matured and were retired in fiscal year 2010.
- \$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 fiscal years 2015 and 2016. The maturity amount of the bonds is \$1,685,000. For fiscal year 2011, \$56,090 was accreted for a total bond value of \$1,435,521.

Principal and interest requirements to retire the District's long-term general obligation bonds outstanding at June 30, 2011 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 |
|-------------------------------|----------------------|---------------------|----------------------|
| 2012 | \$ 2,370,000 | \$ 1,168,681 | \$ 3,538,681 |
| 2013 | 2,395,000 | 1,115,906 | 3,510,906 |
| 2014 | 2,475,000 | 1,037,753 | 3,512,753 |
| 2015 | 2,595,000 | 956,060 | 3,551,060 |
| 2016 | 2,675,000 | 878,500 | 3,553,500 |
| 2017-2021 | 12,045,000 | 2,741,999 | 14,786,999 |
| 2022-2026 | 6,675,000 | 723,953 | 7,398,953 |
| Total | <u>\$ 31,230,000</u> | <u>\$ 8,622,852</u> | <u>\$ 39,852,852</u> |

Other Long-Term Obligations

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

NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE

Prior to fiscal year 2011, the School District utilized a capitalized lease to finance the acquisition of several copiers for use throughout the District. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments will be reflected as debt service expenditures in the basic financial statements for the governmental funds.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$298,689, 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 2011 totaled \$53,452.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

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, 2011.

| | Fiscal Year Ended June 30, | |
|---|-------------------------------|-------------------------|
| | 2012 | \$ 60,338 |
| | 2013 | 15,084 |
| Total | | <u>75,422</u> |
| Less: Amount Representing Interest | | <u>(3,268)</u> |
| Present Value of Net Minimum Lease Payments | | <u><u>\$ 72,154</u></u> |

NOTE 17 - INTERFUND ACTIVITY

During the year ended June 30, 2011, the School District provided operating funds to the District Managed Student Activity Fund through a \$20,000 transfer from the General Fund.

NOTE 18 – 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 \$267,731 to TRECA during fiscal year 2011.

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.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 19 - 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, 2011.

Litigation

The School District is not currently party to any legal proceedings.

NOTE 20 - SET-ASIDE CALCULATIONS

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, 2010 | \$ (3,049,062) | \$ - | \$ (3,049,062) |
| Current Year Set-aside Requirement | 733,846 | 733,846 | 1,467,692 |
| Qualifying Disbursements | <u>(1,097,965)</u> | <u>(2,627,526)</u> | <u>(3,725,491)</u> |
| Total | <u>\$ (3,413,181)</u> | <u>\$ (1,893,680)</u> | <u>\$ (5,306,861)</u> |
| Balance Carried forward to FY 2012 | <u>\$ (3,413,181)</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, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 21 - COMMITMENTS

Encumbrances

At year end the School District had the following amounts encumbered for future purchase obligations:

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|------------------------------|----------------------------------|
| General Fund | \$ 536,148 |
| Permanent Improvement Fund | 556,174 |
| Non-major Governmental Funds | <u>265,802</u> |
| | <u>\$ 1,358,124</u> |

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**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

| FEDERAL GRANTOR Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Expenditures |
|---|------------------------------------|----------------------------|----------------------------|
| U.S. DEPARTMENT OF AGRICULTURE Passed Through Ohio Department of Education | | | |
| Nutrition Cluster: | | | |
| Non-Cash Assistance (Food Distribution) | | | |
| National School Lunch Program | 10.555 | \$ 113,141 | \$ 113,141 |
| Cash Assistance | | | |
| School Breakfast Program | 10.553 | 144,349 | 144,349 |
| National School Lunch Program | 10.555 | 738,397 | 738,397 |
| Special Milk Program for Children | 10.556 | <u>567</u> | <u>567</u> |
| Total Nutrition Cluster | | 996,454 | 996,454 |
| Team Nutrition Training Grants | 10.574 | <u>250</u> | <u>1,020</u> |
| Total U.S. Department of Agriculture | | 996,704 | 997,474 |
| U.S. DEPARTMENT OF EDUCATION Passed Through Ohio Department of Education | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 693,873 | 652,240 |
| ARRA - Title I Grants to Local Educational Agencies | 84.389 | <u>217,774</u> | <u>205,009</u> |
| Total Title I Grants Cluster | | 911,647 | 857,249 |
| Special Education Cluster | | | |
| Special Education Grants to States | 84.027 | 1,066,221 | 987,726 |
| ARRA - Special Education Grants to States | 84.391 | 664,101 | 629,160 |
| Special Education Preschool Grants | 84.173 | 24,992 | 25,144 |
| ARRA - Special Education Preschool Grants | 84.392 | <u>20,162</u> | <u>19,409</u> |
| Total Special Education Cluster | | 1,775,476 | 1,661,439 |
| Twenty-First Century Community Learning Centers | 84.287 | 135,537 | 121,020 |
| Education Technology State Grants | 84.318 | 1,925 | 1,925 |
| English Language Acquisition Grants - Limited English Proficient | 84.365 | 17,090 | 15,191 |
| Improving Teacher Quality State Grants | 84.367 | 185,107 | 171,110 |
| School Improvement Grants | 84.377 | | 1,917 |
| ARRA - State Fiscal Stabilization Fund Education State Grants | 84.394 | 932,476 | 929,900 |
| Race to the Top - Early Learning Challenge | 84.412 | <u>54,973</u> | <u>21,115</u> |
| Total U.S. Department of Education | | 4,014,231 | 3,780,866 |
| Total Federal Awards | | <u>\$ 5,010,935</u> | <u>\$ 4,778,340</u> |

The accompanying notes are an integral part of this schedule.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Delaware City School District's (the District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware City School District, Delaware County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 18, 2011, wherein we noted the District adopted Governmental Accounting Standards Board Statement 54 which resulted in reclassification to governmental fund balances. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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 matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 18, 2011.

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



Robert R. Hinkle, CPA
Deputy Chief Auditor

November 18, 2011



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

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

To the Board of Education:

Compliance

We have audited the compliance of Delaware City School District, Delaware County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Delaware City School District, Delaware County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2011.

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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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 noted a matter involving federal compliance or internal control over federal compliance not requiring not requiring inclusion in this report, that we reported to the District's management in a separate letter dated November 18, 2011.

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



Robert R. Hinkle, CPA
Deputy Chief Auditor

November 18, 2011

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

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 significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any 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(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | CFDA #10.533, #10.555, and #10.556 – Nutrition Cluster CFDA #84.010 and #84.389 – Title I Grants to Local Educational Agencies Cluster CFDA #84.027, #84.173, #84.391, and #84.392 – Special Education Cluster (IDEA-B) CFDA #84.394 – State Fiscal Stabilization Fund |
| <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**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2010-001 | State Fiscal Stabilization Fund – Unallowed Activities | Yes | N/A |



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Delaware City School District, (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 6, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Robert R. Hinkle".

Robert R. Hinkle, CPA
Deputy Chief Auditor

November 18, 2011

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DELAWARE CITY SCHOOL DISTRICT

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 15, 2011**