

**DELAWARE CITY SCHOOL DISTRICT**

Delaware, Ohio

General Purpose Financial Statements

For the Year Ended June 30, 1999

with

Independent Auditors' Report

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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Board of Education  
Delaware City School District  
Delaware, Ohio

We have reviewed the independent auditor's report of the Delaware City School District, Delaware County, prepared by Clark, Schaefer, Hackett & Co., Certified Public Accountants, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Delaware City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish that loops back under the name.

JIM PETRO  
Auditor of State

January 27, 2000

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

**Independent Auditors' Report**

Board of Education  
Delaware City School District  
Delaware, Ohio

We have audited the accompanying general purpose financial statements of the Delaware City School District (the District), as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District taken as a whole. The accompanying Year 2000 disclosure as required by GASB and the schedule of expenditures of federal awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Columbus, Ohio  
November 8, 1999

**Delaware City School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>ASSETS AND OTHER DEBITS:</u></b>				
Equity in Pooled Cash and Cash Equivalents (Note 3)	\$ 2,478,889	427,094	569,489	2,701,395
Investments	2,742,513	-	-	17,363,444
Restricted Assets	957,954	-	-	-
Receivables (Note 5)				
Taxes (Note 4)	14,703,443	-	3,308,260	860,472
Accounts Receivable	14,050	-	-	-
Intergovernmental	4,682	44,126	-	-
Accrued Interest	36,412	-	-	286,311
Due from -				
Other Funds	48,960	-	-	-
Materials and Supply Inventory	101,819	-	-	-
Property, Plant and Equipment (Note 6)	-	-	-	-
Accumulated Depreciation (Note 6)	-	-	-	-
Prepaid Items	33,917	-	-	-
Amount Available for Long Term Debt	-	-	-	-
Amount to be Provided for Retirement of General Long Term Obligations	-	-	-	-
<b>Total Assets and Other Debits</b>	<b>\$ 21,122,639</b>	<b>471,220</b>	<b>3,877,749</b>	<b>21,211,622</b>

See accompanying notes to the general purpose financial statements



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals 1999	Totals 1998
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)	(Memorandum Only)
181,622	21,951	176,319	-	-	6,556,759	6,063,674
-	-	-	-	-	20,105,957	-
-	-	-	-	-	957,954	-
-	-	-	-	-	18,872,175	16,857,289
4,504	-	-	-	-	18,554	84,847
35,145	-	-	-	-	83,953	44,803
258	-	2,415	-	-	325,396	20,308
-	-	-	-	-	48,960	-
15,863	-	-	-	-	117,682	126,525
711,781	-	-	50,071,984	-	50,783,765	47,574,415
(329,666)	-	-	-	-	(329,666)	(294,765)
-	-	-	-	-	33,917	45,537
-	-	-	-	1,278,597	1,278,597	602,846
-	-	-	-	47,009,310	47,009,310	28,868,557
<u>619,507</u>	<u>21,951</u>	<u>178,734</u>	<u>50,071,984</u>	<u>48,287,907</u>	<u>145,863,313</u>	<u>99,994,036</u>

**Delaware City School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 167,400	43,034	-	207,640
Accrued Salaries and Benefits Payable	2,120,701	65,229	-	-
Due to:				
Other Funds	-	-	-	-
Students/Other Agencies	-	-	-	-
Governments	390,118	9,966	-	-
Deferred Revenue				
Taxes	12,419,779	-	2,599,152	711,208
Other	-	-	-	-
Bonds Payable (Note 7)	-	-	-	-
Notes Payable (Note 7)	-	-	-	-
Obligation Under Capital Leases (Note 16)	-	-	-	-
Employee Benefits Obligations (Note 7)	103,973	-	-	-
<b>Total Liabilities</b>	<u>15,201,971</u>	<u>118,229</u>	<u>2,599,152</u>	<u>918,848</u>
<b>Equity and Other Credits</b>				
Investment in General Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings (Deficit)	-	-	-	-
Fund Balance (Deficit):				
Reserved for Future Appropriations	2,283,664	-	709,108	149,264
Reserved for Prepays	33,917	-	-	-
Reserved for Encumbrances	338,353	83,542	-	12,522,517
Reserved for Inventory	101,819	-	-	-
Reserved for Budget Stabilization	957,954	-	-	-
Unreserved: Undesignated	2,204,961	269,449	569,489	7,620,993
<b>Total Equity and Other Credits</b>	<u>5,920,668</u>	<u>352,991</u>	<u>1,278,597</u>	<u>20,292,774</u>
<b>Total Liabilities, Equity, and Other Credits</b>	<u>\$ 21,122,639</u>	<u>471,220</u>	<u>3,877,749</u>	<u>21,211,622</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals 1999	Totals 1998
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)	(Memorandum Only)
8,667	15,759	3,684	-	-	446,184	380,075
78,170	-	-	-	-	2,264,100	1,763,774
48,960	-	-	-	-	48,960	-
-	-	57,633	-	-	57,633	38,579
87,381	-	-	-	185,962	673,427	677,738
-	-	-	-	-	15,730,139	15,210,651
6,910	-	-	-	-	6,910	5,926
-	-	-	-	46,287,734	46,287,734	27,407,766
-	-	-	-	310,000	310,000	360,000
-	-	-	-	111,548	111,548	196,239
38,078	-	-	-	1,392,663	1,534,714	1,423,653
<u>268,166</u>	<u>15,759</u>	<u>61,317</u>	<u>-</u>	<u>48,287,907</u>	<u>67,471,349</u>	<u>47,464,401</u>
-	-	-	50,071,984	-	50,071,984	46,923,784
355,830	-	-	-	-	355,830	355,830
(4,489)	6,192	76,257	-	-	77,960	90,350
-	-	-	-	-	3,142,036	1,646,638
-	-	-	-	-	33,917	45,537
-	-	120	-	-	12,944,532	1,060,839
-	-	-	-	-	101,819	112,697
-	-	-	-	-	957,954	140,311
-	-	41,040	-	-	10,705,932	2,153,649
<u>351,341</u>	<u>6,192</u>	<u>117,417</u>	<u>50,071,984</u>	<u>-</u>	<u>78,391,964</u>	<u>52,529,635</u>
<u>619,507</u>	<u>21,951</u>	<u>178,734</u>	<u>50,071,984</u>	<u>48,287,907</u>	<u>145,863,313</u>	<u>99,994,036</u>

**Delaware City School District**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Fund Types and Similar Trust Funds**  
**Year Ended June 30, 1999**

	Governmental Fund Types				Fiduciary	Totals	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable	1999	1998
					Trust	(Memorandum Only)	(Memorandum Only)
<b>REVENUES:</b>							
Taxes	\$ 15,482,709	-	3,092,178	917,274	-	19,492,161	15,989,354
Tuition and Fees	147,511	-	-	-	-	147,511	226,449
Interest	389,267	-	34,754	1,078,542	1,046	1,503,609	564,463
Intergovernmental	9,726,618	1,078,779	265,340	476,479	-	11,547,216	10,615,211
Rent	12,937	-	-	-	-	12,937	12,484
Gifts and Donations	-	15,235	-	-	103,931	119,166	13,793
Increase in Fair Value of Investments	9,894	-	-	77,388	-	87,282	-
Other Local Revenue	99,387	126,511	810	-	-	226,708	537,068
<b>TOTAL REVENUE</b>	<b>25,868,323</b>	<b>1,220,525</b>	<b>3,393,082</b>	<b>2,549,683</b>	<b>104,977</b>	<b>33,136,590</b>	<b>27,958,822</b>
<b>EXPENDITURES:</b>							
<b>CURRENT</b>							
Instruction							
Regular	10,812,185	200,196	-	509,391	100,000	11,621,772	10,782,050
Special	2,619,703	478,817	-	-	-	3,098,520	2,772,622
Vocational	209,201	-	-	-	-	209,201	226,865
Other	173,422	-	-	-	-	173,422	182,765
Support Services							
Pupil Support	1,212,778	80,565	-	-	450	1,293,793	1,185,439
Instructional Support	1,081,539	144,431	-	320,535	-	1,546,505	1,624,522
Board of Education	197,334	-	-	-	-	197,334	102,771
Administration	1,503,312	103,653	-	-	-	1,606,965	1,430,541
Fiscal	614,857	-	46,764	23,314	-	684,935	637,561
Business	183,354	-	-	109,829	-	293,183	278,766
Operation and Maintenance	2,075,945	-	-	17,870	-	2,093,815	1,989,441
Transportation	1,004,423	-	-	-	-	1,004,423	1,025,203
Central Services	90,624	11,616	-	-	-	102,240	88,389
Community Services	-	7,922	-	-	-	7,922	4,958
Extracurricular	539,705	115,078	-	-	-	654,783	634,893
<b>CAPITAL OUTLAY</b>	<b>9,152</b>	<b>-</b>	<b>-</b>	<b>2,720,788</b>	<b>-</b>	<b>2,729,940</b>	<b>7,722,134</b>
<b>DEBT SERVICE</b>							
Principal	50,000	-	870,000	84,961	-	1,004,961	987,536
Interest	19,933	-	2,148,189	8,075	-	2,176,197	1,391,440
<b>TOTAL EXPENDITURES</b>	<b>22,397,467</b>	<b>1,142,278</b>	<b>3,064,953</b>	<b>3,794,763</b>	<b>100,450</b>	<b>30,499,911</b>	<b>33,067,896</b>

See accompanying notes to the general purpose financial statements.

**Delaware City School District**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Fund Types and Similar Trust Funds - cont.**  
**Year Ended June 30, 1999**

	Governmental Fund Types				Fiduciary	Totals	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1999 (Memorandum Only)	1998 (Memorandum Only)
Excess Revenue Over (Under) Expenditures	3,470,856	78,247	328,129	(1,245,080)	4,527	2,636,679	(5,109,074)
Other Financing Sources (Uses):							
Transfers In	831,652	20,000	-	-	-	851,652	64,994
Transfers Out	(849,204)	-	-	-	-	(849,204)	(157,229)
Sale of Bonds	-	-	-	19,749,968	-	19,749,968	-
Other Sources	679	-	347,622	-	-	348,301	141,102
Total Other Financing Sources	(16,873)	20,000	347,622	19,749,968	-	20,100,717	48,867
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,453,983	98,248	675,751	18,504,888	4,527	22,737,396	(5,060,207)
Fund Balance Beginning of the Fiscal Year	2,477,563	254,743	602,846	1,787,886	36,633	5,159,671	10,180,253
Increase (Decrease) in Reserve for Inventory	(10,878)	-	-	-	-	(10,878)	39,625
<b>FUND BALANCES</b>							
<b>END OF YEAR</b>	<b>\$ 5,920,668</b>	<b>352,991</b>	<b>1,278,597</b>	<b>20,292,774</b>	<b>41,160</b>	<b>27,886,189</b>	<b>5,159,671</b>

See accompanying notes to the general purpose financial statements.

**Delaware City School District**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**(Non-GAAP Basis)**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Taxes	\$ 14,544,772	14,545,451	679	-	-	-
Tuition and Fees	186,852	189,184	2,332	-	-	-
Interest	267,307	355,518	88,211	-	-	-
Intergovernmental	9,733,965	9,733,965	-	1,096,857	1,034,653	(62,204)
Extracurricular Activities	-	-	-	114,264	115,761	1,497
Rent	12,936	12,937	1	-	-	-
Customer Services	28,711	28,711	-	4,350	4,351	1
Gifts and Donations	-	-	-	15,000	15,235	235
Other	79,337	81,326	1,989	6,410	6,410	-
<b>Total Revenues</b>	<b>24,853,880</b>	<b>24,947,092</b>	<b>93,212</b>	<b>1,236,881</b>	<b>1,176,410</b>	<b>(60,471)</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
<b>Instruction</b>						
Regular	10,581,418	10,581,418	-	308,259	245,100	63,159
Special	2,536,862	2,536,862	-	610,864	490,209	120,655
Vocational	205,493	205,493	-	-	-	-
Other	222,671	222,671	-	-	-	-
<b>Support Services</b>						
Pupil Support Services	1,164,595	1,164,595	-	135,528	89,251	46,277
Instructional Support	1,058,819	1,058,819	-	259,618	186,406	73,212
Board Services	205,183	205,183	-	-	-	-
Administrative Services	1,473,211	1,473,211	-	112,630	110,315	2,315
Fiscal Services	617,063	614,660	2,403	-	-	-
Business	188,686	188,686	-	-	-	-
Operation & Maint. - service	2,265,950	2,265,950	-	11,410	-	11,410
Transportation Services	1,087,130	1,087,130	-	-	-	-
Central Support Services	99,844	99,844	-	11,616	11,616	-
Community Services	-	-	-	8,940	7,242	1,698
Extracurricular Activities	540,145	540,145	-	125,380	125,380	-
Capital Outlay	9,152	9,152	-	-	-	-
<b>Debt Service</b>						
Principal	50,000	50,000	-	-	-	-
Interest	19,933	19,933	-	-	-	-
<b>Total Expenditures</b>	<b>22,326,155</b>	<b>22,323,752</b>	<b>2,403</b>	<b>1,584,245</b>	<b>1,265,519</b>	<b>318,726</b>
<b>Excess of Revenues Over (Under) Expenditure</b>	<b>2,527,725</b>	<b>2,623,340</b>	<b>95,615</b>	<b>(347,364)</b>	<b>(89,109)</b>	<b>258,255</b>

See accompanying notes to the general purpose financial statements

Debt Service Funds			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
2,601,841	2,601,939	98	849,316	849,374	58	17,995,929	17,996,764	835
-	-	-	-	-	-	186,852	189,184	2,332
34,754	34,754	-	719,252	800,970	81,718	1,021,313	1,191,242	169,929
265,340	265,340	-	476,480	476,480	-	11,572,642	11,510,438	(62,204)
-	-	-	-	-	-	114,264	115,761	1,497
-	-	-	-	-	-	12,936	12,937	1
-	-	-	-	-	-	33,061	33,062	1
-	-	-	-	-	-	15,000	15,235	235
809	809	-	-	-	-	86,556	88,545	1,989
<u>2,902,744</u>	<u>2,902,842</u>	<u>98</u>	<u>2,045,048</u>	<u>2,126,824</u>	<u>81,776</u>	<u>31,038,553</u>	<u>31,153,168</u>	<u>114,615</u>
-	-	-	666,926	666,926	-	11,556,603	11,493,444	63,159
-	-	-	-	-	-	3,147,726	3,027,071	120,655
-	-	-	-	-	-	205,493	205,493	-
-	-	-	-	-	-	222,671	222,671	-
-	-	-	-	-	-	1,300,123	1,253,846	46,277
-	-	-	498,400	323,687	174,713	1,816,837	1,568,912	247,925
-	-	-	-	-	-	205,183	205,183	-
-	-	-	-	-	-	1,585,841	1,583,526	2,315
47,135	46,764	371	25,961	25,832	129	690,159	687,256	2,903
-	-	-	112,575	112,575	-	301,261	301,261	-
-	-	-	18,584	18,584	-	2,295,944	2,284,534	11,410
-	-	-	33,797	33,797	-	1,120,927	1,120,927	-
-	-	-	-	-	-	111,460	111,460	-
-	-	-	-	-	-	8,940	7,242	1,698
-	-	-	-	-	-	665,525	665,525	-
-	-	-	21,213,892	15,257,468	5,956,424	21,223,044	15,266,620	5,956,424
870,000	870,000	-	-	-	-	920,000	920,000	-
2,148,189	2,148,189	-	-	-	-	2,168,122	2,168,122	-
<u>3,065,324</u>	<u>3,064,953</u>	<u>371</u>	<u>22,570,135</u>	<u>16,438,869</u>	<u>6,131,266</u>	<u>49,545,859</u>	<u>43,093,093</u>	<u>6,452,766</u>
(162,580)	(162,111)	469	(20,525,087)	(14,312,045)	6,213,042	(18,507,306)	(11,939,925)	6,567,381

**Delaware City School District**  
**Combined Statement of Revenues, Expenditures, Encumbrances, and**  
**Changes in Fund Balances - Budget and Actual - cont.**  
 (Non-GAAP Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Other Financing Sources (Uses):						
Transfers In	\$ 831,652	831,652	-	20,000	20,000	-
Transfers Out	(898,164)	(898,164)	-	-	-	-
Other Sources	679	679	-	-	-	-
Other Uses	-	-	-	-	-	-
Proceeds from Sale of Notes	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(65,833)</u>	<u>(65,833)</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	2,461,892	2,557,507	95,615	(327,364)	(69,109)	258,255
Fund Balance Beginning of Year	2,988,351	2,988,351	-	313,841	313,841	-
Prior Year Encumbrances Appropriated	<u>179,552</u>	<u>179,552</u>	<u>-</u>	<u>60,033</u>	<u>60,033</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 5,629,795</u>	<u>5,725,410</u>	<u>95,615</u>	<u>46,510</u>	<u>304,765</u>	<u>258,255</u>

See accompanying notes to the general purpose financial statements.



Debt Service Funds			Capital Projects Funds			Total Memorandum Only		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	-	-	-	851,652	851,652	-
-	-	-	-	-	-	(898,164)	(898,164)	-
347,622	347,622	-	-	-	-	348,301	348,301	-
-	-	-	-	-	-	-	-	-
-	-	-	19,749,968	19,749,968	-	19,749,968	19,749,968	-
347,622	347,622	-	19,749,968	19,749,968	-	20,051,757	20,051,757	-
185,042	185,511	469	(775,119)	5,437,923	6,213,042	1,544,451	8,111,832	6,567,381
383,977	383,977	-	816,648	816,648	-	4,502,817	4,502,817	-
-	-	-	1,026,267	1,026,267	-	1,265,852	1,265,852	-
569,019	569,488	469	1,067,796	7,280,838	6,213,042	7,313,120	13,880,501	6,567,381

**Delaware City School District**  
**Combined Statement of Revenues, Expenses**  
**and Changes in Retained Earnings/Fund Balance**  
**All Proprietary Fund Types and Similar Trust Funds**  
**Year Ended June 30, 1999**

	Proprietary Fund Types		Fiduciary	Total	Total
	Enterprise Fund	Internal Services Fund	Non-Expendable Trust	1999 (Memorandum Only)	1998 (Memorandum Only)
<b>OPERATING REVENUES</b>					
Tuition and Fees	\$ 421,986	-	-	421,986	455,352
Sales	637,978	-	-	637,978	575,897
Charges for Services	44,734	-	-	44,734	74,361
Contributions and Donations	-	-	-	-	3,500
Interest	-	-	3,512	3,512	-
Other	6,845	36,820	-	43,665	36,610
<b>Total Operating Revenue</b>	<b>1,111,543</b>	<b>36,820</b>	<b>3,512</b>	<b>1,151,875</b>	<b>1,145,720</b>
<b>OPERATING EXPENSES</b>					
Salaries and Wages	691,517	-	-	691,517	668,202
Fringe Benefits	157,766	-	-	157,766	186,685
Contractual Services	52,267	-	-	52,267	80,442
Material and Supplies	441,164	-	1,405	442,569	432,279
Depreciation	34,901	-	-	34,901	4,467
Capital Outlay	-	-	-	-	1,421
Other Expenses	444	36,567	659	37,670	50,837
<b>Total Operating Expenses</b>	<b>1,378,059</b>	<b>36,567</b>	<b>2,064</b>	<b>1,416,690</b>	<b>1,424,333</b>
<b>Operating Income (Loss)</b>	<b>(266,516)</b>	<b>253</b>	<b>1,448</b>	<b>(264,815)</b>	<b>(278,613)</b>
<b>NON-OPERATING REVENUES</b>					
Federal Donated Commodities	39,990	-	-	39,990	32,250
Interest	1,133	-	-	1,133	2,941
Federal and State Subsidies	213,753	-	-	213,753	211,377
Other	-	-	-	-	342
<b>Total Non-Operating Revenues</b>	<b>254,876</b>	<b>-</b>	<b>-</b>	<b>254,876</b>	<b>246,910</b>
Income(Loss) before operating transfers-in	(11,640)	253	1,448	(9,939)	(31,703)
Operating transfers-in	12,240	-	-	12,240	92,235
Operating transfers-out	(14,688)	-	-	(14,688)	-
<b>Net income(loss)</b>	<b>(14,088)</b>	<b>253</b>	<b>1,448</b>	<b>(12,387)</b>	<b>60,532</b>
Retained Earnings - Beginning of the Year	9,599	5,939	74,809	90,347	29,815
<b>Retained Earnings (Deficit) - End of the Year</b>	<b>(4,489)</b>	<b>6,192</b>	<b>76,257</b>	<b>77,960</b>	<b>90,347</b>
Contributed capital at the Beginning of the year	355,830	-	-	355,830	-
Capital contributions	-	-	-	-	355,830
<b>Contributed capital at the End of the year</b>	<b>355,830</b>	<b>-</b>	<b>-</b>	<b>355,830</b>	<b>355,830</b>
<b>Fund equity at end of year</b>	<b>\$ 351,341</b>	<b>6,192</b>	<b>76,257</b>	<b>433,790</b>	<b>446,177</b>

See accompanying notes to general purpose financial statements

**Delaware City School District**  
**Combined Statement of Cash Flows**  
All Proprietary Funds and Similar Trust Funds  
Year Ended June 30, 1999

	Proprietary Fund Types			Fiduciary Fund Types	Total	Total
	Enterprise Fund	Internal Services Fund	Non-Expendable Trust	1999	1998	
				(Memorandum Only)	(Memorandum Only)	
<b>Cash Flows From Operating Activities</b>						
Operating income (loss)	\$ (266,516)	253	1,448	(264,815)	(278,613)	
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:						
Depreciation	34,901	-	-	34,901	4,467	
Effects of change in operating assets and liabilities:						
Accounts Receivable	19,364	-	-	19,364	(8,172)	
Due from Other Governments	(2,370)	60	-	(2,310)	(3,716)	
Inventory	(2,029)	-	-	(2,029)	(3,096)	
Prepaid Expenses	-	-	-	-	-	
Other	-	-	-	-	(149)	
Accounts Payable	(1,334)	15,758	-	14,424	4,673	
Deferred Revenue	984	-	-	984	1,817	
Accrued Wages and Benefits	23,302	-	-	23,302	(16,814)	
Compensated Absences	(3,713)	-	-	(3,713)	12,424	
Due to Other Governments	3,327	-	-	3,327	(3,774)	
Due to Other Funds	53,878	-	-	53,878	(65,000)	
Net cash provided (used) by operating activities	(140,206)	16,071	1,448	(122,687)	(355,953)	
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Federal Donated Commodities	39,990	-	-	39,990	32,250	
Operating Grants from State and Federal Sources	213,753	-	-	213,753	211,377	
Operating Transfers from other Funds	-	-	-	-	92,235	
Other Net	(7,366)	-	-	(7,366)	342	
Net cash provided by noncapital financing sources	246,377	-	-	246,377	336,204	
<b>Cash Flows from Capital Financing Sources</b>						
Acquisition of Assets	(61,150)	-	-	(61,150)	-	
<b>Cash Flows from Investing Activities</b>						
Earnings on investment	1,133	-	-	1,133	2,941	
Net increase (decrease) in cash & cash equivalents	46,154	16,071	1,448	63,673	(16,808)	
Cash and cash equivalents - beginning of year	135,468	5,880	74,809	216,157	232,965	
Cash and cash equivalents - end of year	\$ 181,622	21,951	76,257	279,830	216,157	

See accompanying notes to general purpose financial statements.

# DELAWARE CITY SCHOOL DISTRICT

## Notes to the Financial Statements

### 1. Description of the School District:

The School District operates under a locally-elected five member board form of government and provides educational services as authorized by its charter or further mandated by state and, or federal agencies. This board controls the District's seven instructional/support facilities staffed by 196 non-certificated employees, 256 certificated full time teaching personnel and 16 administrative employees to provide services to approximately 4,150 students and other community members.

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

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

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

### 2. Summary of Significant Accounting Policies:

The financial statements of the Delaware City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

#### The reporting entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the

District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the district is able to exercise oversight responsibilities.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the District's reporting entity.

Excluded from the reporting entity:

#### Parochial schools

Within the School District's boundaries, St. Mary's is operated through the Columbus Catholic Diocese and Delaware Christian School is operated as a private school. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial school. Auxiliary funds passed through are recorded in special revenue funds.

#### City of Delaware

The City government of Delaware is a separate body politic and corporate. A mayor and council are elected independent of any school district relationships, and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

#### Townships of Delaware, Troy, and Berlin

Township governments are separate bodies politic and corporate. A board of trustees and clerk are elected independent of any school district relationships and administer the traditional township services. The trustees act as the taxing and budgeting authority for these services.

#### Delaware County District Library

The School District is not involved in budgeting or management of the Delaware County District Library facilities, nor does it subsidize or finance the operation of the library. The selection of directors and budget approval is conducted merely to comply with state code requirements.

#### P T O and Athletic/Music Boosters

These organizations exist to support various endeavors of the school district through donations of time and other resources. Although the school district benefits directly from the activities, the district neither manages nor directs the operations nor provides financial support to these groups.

### Delaware City Teachers Association

The association is operated under Ohio Bargaining Law, which requires a separation of the bargaining unit and the District. The association represents the eligible certificated employees of the District regarding personnel related matters. The District does not designate or appoint the representatives, approve and revise budgets, supervise accounting functions, or assume responsibility for financing deficits. Therefore, the association is not included in the reporting entity.

### Tri-Rivers Computer Association

The District is a member of the consortium, which was organized for the purpose of providing computer services for accounting, grading, scheduling and other applications to its members. Although the Superintendent of Delaware City Schools serves as a member of the Board of Directors of the consortium, the Board of Education exercises no direct control over the operation of this consortium nor has any responsibilities other than making membership payments. Therefore, the consortium is not considered to be part of the reporting entity.

The individual members are not considered "participants having equity interest" as defined by GASB statement 14 since members have no right to any assets of the consortium.

### Delaware County Joint Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code. The board of education is elected independent of the Delaware City School District. The board is responsible for approving its own budgets, appointing its own personnel and accounting personnel, and managing its own accounting and financing related activities.

Included in the reporting entity:

### Fund accounting

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

## Governmental fund types

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

### General fund

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

### Special revenue funds

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

### Debt service fund

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

### Capital projects fund

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

## Proprietary funds

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

### Enterprise funds

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

### Internal service funds

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

### Fiduciary funds

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

### Account groups

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

#### General fixed asset account group

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

#### General long-term obligations account group

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

### Measurement focus/basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing uses) in net current assets.



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

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

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

Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) were recognized as revenue.

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

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

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

## Budgets

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

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

Prior to March 31, the Board of Education accepts, by formal resolution, the tax rates, as determined by the Budget Commission, and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources, as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

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

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. Additional supplemental appropriations, legally enacted by the board, were required during fiscal 1999.

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

Encumbrance accounting is utilized with School District funds in the normal course of operations for purchases orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority, due to commitment for a future expenditure, and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 10 provides a reconciliation of the non-GAAP budgetary basis to the GAAP basis of accounting. Encumbrances for proprietary funds are disclosed in the notes to the financial statements.

#### Cash and investments

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

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

The District invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the state treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could have been sold for on June 30, 1999.

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

#### Inventory

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

#### Fixed assets and depreciation

##### General fixed assets account group

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

During fiscal year 1999, the District contracted with a valuation firm to estimate the historical cost of all the District's assets. The estimated historical costs were used for all assets except recent building additions and renovations, where the actual costs were known. The valuation method consisted of obtaining the price of a fixed asset using product price listings from a year where the Consumer Price Index (CPI) was one (the base year). Then the price was adjusted by the CPI for each year between the base year and the year of acquisition.

##### Proprietary funds

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

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

#### Restricted assets

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

#### Intergovernmental revenues

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

Grants and entitlements amounted to approximately 34% of the School District's operating revenue during the 1999 fiscal year.

#### Advances to other funds

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

#### Compensated absences

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

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

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

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

#### Long-term obligations

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

#### Fund equity

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

#### Interfund transactions

At June 30, 1999, the School District had interfund loans which are classified as "due to/due from". Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from that fund, that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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

#### Memorandum only - total columns

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

#### Use of estimates

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

### 3. Equity in Pooled Cash and Cash Equivalents:

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

Legal requirements: Statutes require the classification of monies held by the District into three categories:

#### Active monies

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

#### Inactive monies

Those monies not required for use within the current two-year period of designation of depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to passbook accounts.

## Interim monies

Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

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

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

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

Bonds and other obligations of the State of Ohio;

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage and the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity.



## Deposits

At year-end, the carrying value of the School District's deposits was \$7,514,713, and the bank balance was \$8,018,355. Of the bank balance \$200,000 was covered by federal depository insurance and \$227,411 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. The remaining amount was uncollateralized.

## Investments

The School District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered and securities held by the School District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department, but not in the District's name.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Repurchase agreements	-	-	2,665,000	2,665,000	2,665,000
U.S. Agencies	-	20,105,957	-	20,105,957	20,105,957
STAR Ohio	-	-	-	4,530,431	4,530,431
Total cash/investments	-	20,105,957	2,665,000	27,301,388	27,301,388
Above items considered cash equivalents	-	-	(2,665,000)	(7,195,431)	(7,195,431)
Total investments	-	20,105,957	-	20,105,957	20,105,957

(1) The District's STAR Ohio investments are not categorized because they are not evidenced by securities that exist in physical or book form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

#### 4. Property Taxes:

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed at 50% of market and the personal property of railroads which is assessed at 25% of market.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1999 taxes were collected was \$414,507,953. Agricultural/residential and public utility real estate represented 55% (\$228,673,110) of this total. Commercial and industrial real estate represented 25% (\$102,112,680), public utility tangible 6% (\$23,957,010) and general tangible property 14% (\$59,765,153). The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$55.40 per \$1,000 of assessed valuation.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue except for those funds available for advance from the County Treasurer at June 30, 1999.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 1999 are reflected as a reservation for future appropriations in fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue, in accordance with Ohio Revised Code Section 5705.35, since an advance of tax revenue was not received by the end of the fiscal year.

5. Receivables:

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full.

6. Fixed Assets:

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

	Balance July 1, 1998	Net Increases	Net Decreases	Balance June 30, 1999
Land	\$ 2,099,689	229,443	-	2,329,132
Building	34,192,445	2,146,682	-	36,339,127
Furniture, fixtures and equipment	10,631,650	779,851	7,776	11,403,725
	<u>\$ 46,923,784</u>	<u>3,155,976</u>	<u>7,776</u>	<u>50,071,984</u>

A summary of the proprietary fund fixed assets at June 30, 1999 follows:

Furniture and equipment	\$ 711,781
Less accumulated depreciation	(329,666)
Net fixed assets	<u>\$ 382,115</u>

7. Long-term Obligations:

General obligation bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of equipment and facilities. General obligation bonds are district obligations, which pledge the full faith and credit of the school district. Accordingly, such unmatured obligations of the school district are accounted for in the general long-term obligation account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The bonds pay interest at rates that range from 3.9% to 9.55% and mature from 1998 through 2026.

The following is a description of the District's future annual debt service requirements to maturity for general obligation bonds.

Fiscal Year Ending	Principal	Interest	Balance Total
2000	\$ 1,330,000	2,217,860	3,547,860
2001	1,550,000	2,158,110	3,708,110
2002	1,630,000	2,090,315	3,720,315
2003	1,725,000	2,016,740	3,741,740
2004	1,870,000	1,936,123	3,806,123
2005 and thereafter	38,182,734	28,387,580	66,570,314
	<u>\$ 46,287,734</u>	<u>38,806,728</u>	<u>85,094,462</u>

Energy conservation note

During the year ended June 30, 1995, the District issued a note to provide funds for energy conservation improvements. Savings from operations due to the energy conservation measures were used for the retirement of these obligations.

Interest is payable in semi-annual installments at a rate of 5.95% a year through 2004.

The following is a description of the District's future annual debt service requirements to maturity for energy conservation notes:

Fiscal Year Ending	Principal	Interest	Balance Total
2000	\$ 50,000	16,958	66,958
2001	50,000	13,983	63,983
2002	50,000	11,008	61,008
2003	50,000	8,033	58,033
2004	55,000	6,545	61,545
2005	55,000	-	55,000
	<u>\$ 310,000</u>	<u>56,527</u>	<u>366,527</u>

Changes in general long term obligations account group

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the general long-term obligations account groups (compensated absences will be paid from the fund from which the employee is paid):

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Due to other government	\$ 218,682	-	32,720	185,962
Compensated absences:				
Sick leave	1,243,585	103,138	-	1,346,723
Vacation	45,131	809	-	45,940
Notes payable	360,000	-	50,000	310,000
Capital leases	196,239	-	84,691	111,548
General obligation debt	27,407,766	19,749,968	870,000	46,287,734
	<u>\$29,471,403</u>	<u>19,853,915</u>	<u>1,037,411</u>	<u>48,287,907</u>

Refer to Note 2 for an explanation of District accounting for compensated absences.

Legal debt margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The District has received special permission from the Tax Commissioner of the State of Ohio to exceed this debt limitation. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District.

The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$37,305,716 and an unvoted debt margin of \$414,508.

8. Segment Information - Enterprise Funds:

The District maintains four enterprise funds to account for the operations of food service, uniform supply, bus maintenance and child care. The table marked Segment Information reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the Delaware City School District as of and for the year ended June 30, 1999.

	Lunchroom Fund	Bus Maintenance Service	Child Care Fund	Total
Operating revenues	\$635,931	7,994	467,618	1,111,543
Operating expenses:				
Depreciation	34,901	-	-	34,901
Other expenses	871,736	12,888	458,534	1,343,158
Total operating expenses	906,637	12,888	458,534	1,378,059
Operating income (loss)	(270,706)	(4,894)	9,084	(266,516)
Non operating revenues and expenses:				
Operating grants	213,753	-	-	213,753
Other	-	-	1,133	1,133
Transfers	(2,448)	-	-	(2,448)
Commodities	39,990	-	-	39,990
Net income (loss)	(19,411)	(4,894)	10,217	(14,088)
Net working capital	(16,962)	-	60,986	44,024
Encumbrances	12,433	-	24,075	36,508
Total assets	480,513	-	138,994	619,507
Total equity	\$290,837	-	60,504	351,341

9. Employee Retirement Systems:

School Employees Retirement System - post employment health benefits

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. After the allocation for basic retirement benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400. The surcharge rate, added to the unallocated portion of the 14% employer's contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 12.5% of annual health care expenses. Expenses for health care at June 30, 1999 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$160.3 million. For the School District, the amount to fund health care benefits, including surcharge, equaled \$266,159. The number of participants currently receiving health care benefits is approximately 50,000.

#### School Employees Retirement System - post employment pension benefits

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of covered payroll, with 10.5% used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$557,298, \$512,964 and \$481,341, respectively. Thirty-eight percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$345,014 representing the remaining contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

#### State Teachers Retirement System - post employment health benefits

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage.

Pursuant to the Revised Code (RC), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of healthcare costs in the form of a monthly premium.

The RC grants discretionary authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Board currently allocates employer contributions equal to 2% of covered payroll to the health care reserve fund from which payments for health care benefits are paid. The balance in the health care reserve fund was \$2.156 million at June 30, 1999. The health care reserve fund allocation for the year ended June 30, 1999, was 3.5% of covered payroll.

For the year ended June 30, 1999, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

#### State Teachers Retirement System - post employment pension benefits

The School District contributes to the State Teachers Retirement System of Ohio (STRS) a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%, of which 12% was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,713,912, \$1,566,037, and \$1,581,832, respectively. Eighty-three percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$279,928 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the representative funds.

#### 10. Budgetary Basis of Accounting:

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

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

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

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

	General Fund	Special Revenue	Debt Service	Capital Projects
GAAP basis	\$ 3,453,983	98,248	675,751	18,504,888
Increase (decrease):				
Due to revenues:				
Net adjustments to revenue accruals	(921,230)	(44,116)	(490,240)	(422,859)
Due to expenditures:				
Net adjustments to expenditure accruals	73,714	(123,241)	-	(12,644,106)
Due to other sources/uses	(48,960)	-	-	-
Budget basis	<u>\$ 2,557,507</u>	<u>(69,109)</u>	<u>185,511</u>	<u>5,437,923</u>

11. Contingent Liabilities:

Grants

The School District receives significant financial assistance for numerous federal, state and local agencies in the form of grants. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School District at June 30, 1999.



## Litigation

No litigation is currently pending with the School District as defendant.

### 12. Significant Events:

#### School funding decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional.

The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the state's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$8,428,438 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of this date, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

### 13. Fund Balance/Retained Earnings Deficits:

Fund balances/retained earnings at June 30, 1999, included an individual fund deficit in the enterprise funds for food services for \$60,355.

### 14. Risk Management:

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the District contracted with Nationwide Insurance Company for general liability insurance with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate limit. Property is also protected by Nationwide Insurance and holds a \$2,500 deductible. The District has contracted with other third-party organizations for health insurance and workers' compensation.

15. Capitalized Leases:

The District has entered into a lease agreement for computer equipment. The terms of the lease agreement provide for ownership to revert to the District at the end of the lease term. 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 at the conclusion of the lease term. The cost of the computer equipment (\$300,000) is included in the general fixed assets account group. Principal payments of \$84,691 were made during the fiscal year.

The following is a schedule of future minimum lease payments required under capital leases and the present value of the net minimum lease payments as of June 30, 1999:

Year ending June 30:	
2000	\$ 92,766
2001	23,192
	<hr/>
	115,958
Less interest:	4,410
Present value of minimum lease payments	<hr/>
	\$ 111,548

16. Operating Lease Commitments:

The District leases duplicating equipment for the district under non-cancelable operating leases with five-year terms. Annual lease expenditures for the year ended June 30, 1999 totaled \$79,237. The following is a schedule of minimum rentals under these leases as of June 30, 1999:

Year ending June 30:	
2000	\$ 92,743
2001	92,744
2002	30,874
2003	17,467
2004	422
Total minimum rental payments	<hr/>
	\$ 234,250

17. Commitments:

At June 30, 1999, the District had signed contracts for the construction of a new middle school. The commitment on these construction contracts was approximately \$12,007,645.

18. Reclassifications:

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

19. Statutory Reserves:

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside cash balance as of June 30, 1998	\$ -	-	140,311	140,311
Current year set aside requirement	765,820	765,820	817,643	2,349,283
Current year offsets	(719,808)	(19,150,000)	-	(19,869,808)
Qualifying disbursements	(779,860)	(533,487)	-	(1,313,347)
<b>Total</b>	<b>\$ (733,848)</b>	<b>(18,917,667)</b>	<b>957,954</b>	<b>(18,693,561)</b>
Cash balance carried forward to FY2000	-	-	957,954	
Amount restricted for budget stabilization/restricted assets				<b>\$ 957,954</b>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these amounts may not be used to reduce the set-aside requirement of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

20. Pending and threatened litigation:

The United Electrical Workers' Local #799 had threatened to file a claim to recover additional amounts of compensation of non-teaching employees under a collective bargaining agreement. The District is unable to determine the amount of any loss associated with this potential claim; therefore, no provision has been made in the general purpose financial statements.

Numerous property owners have brought claims before the Ohio Board of Tax Appeals for reductions in their real property tax value, where the cases are now pending. If the Board of Education is unsuccessful in these claims, they could lose up to \$152,864 in previously recognized property tax revenue. No provision has been made in the general purpose financial statements for these possible losses.

## DELAWARE CITY SCHOOL DISTRICT

Year 2000 Disclosure

June 30, 1999

The year 2000 issue is the result of shortcomings in many electronic data systems and other equipment that may adversely affect the District's operations.

The District is currently in the awareness and assessment phases. The District has identified a year 2000 project manager and internal team. As of June 30, 1999, the District had committed \$13,200 to this project.

The District has received notification from the Ohio Department of Education, Division of Information Management Services that the state software used by the District for payroll processing, accounting, equipment and vehicle inventory, and education and management information will be year 2000 compliant by December 31, 1999.

**DELAWARE CITY SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 1999

Federal Grantor/ Pass Through Dept./ Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b><u>U.S. Dept. Of Agriculture</u></b>						
Pass-Through State Dept. of Education						
Food Distribution	31-6402047-A7	10.550	-	34,407	-	34,407
Nutrition Cluster:						
School Breakfast	31-6402047-A7	10.553	11,733	-	11,733	-
National School Lunch Program	31-6402047-A7	10.555	187,465	-	187,465	-
Total Nutrition Cluster			199,198	-	199,198	-
Total U.S. Dept. Of Agriculture			199,198	34,407	199,198	34,407
<b><u>U.S. Dept. Of Health And Human Services</u></b>						
Pass-Through State Dept. of Education						
Grants to States for Planning & Devp. of Dependent Care Programs	31-6402047-A7	93.673	-	-	9,552	-
<b><u>U.S. Dept. Of Education</u></b>						
Pass-Through State Dept. of Education						
Chapter 1 - Educationally Deprived Children	31-6402047-A7	84.010	225,450	-	256,727	-
Special Education Cluster:						
Title VI-B-Handicapped State Grants	31-6402047-A7	84.027	199,782	-	211,826	-
Special Education Preschool Grant	31-6402047-A7	84.173	23,322	-	13,289	-
Total Special Education Cluster			223,104	-	225,115	-
Chapter 2 - Federal, State & Local Partnership for Education Improvement	31-6402047-A7	84.151	17,281	-	17,968	-
Math and Science Tech Investment	31-6402047-A7	84.164	14,438	-	8,972	-
Drug-Free Schools and Communities	31-6402047-A7	84.186	24,183	-	17,923	-
Building Partnership / Networking	31-6402047-A7	84.276	-	-	2,151	-
Total Dept. Of Education			504,456	-	528,856	-
			\$ 703,654	34,407	737,606	34,407

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

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

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

Board of Education  
Delaware City School District  
Delaware, Ohio

We have audited the general purpose financial statements of the Delaware City School District (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated November 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we reported to management of the District in a separate letter dated November 8, 1999.

**Internal Controls over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated November 8, 1999.

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

*Clark, Schaefer, Hackett & Co.*

Columbus, Ohio  
November 8, 1999

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

Board of Education  
Delaware City School District  
Delaware, Ohio

**Compliance**

We have audited the compliance of the Delaware City School District (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Clark, Schaefer, Haskett & Co.*

Columbus, Ohio  
November 8, 1999

**DELAWARE CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A - 133 SECTION .505  
June 30, 1999**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Chapter 1 - Educationally Deprived Children, CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

DELAWARE CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A - 133 SECTION .505  
June 30, 1999

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

*None*

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

*None*

**DELAWARE CITY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A - 133 SECTION .315 (b)**  
**June 30, 1999**

*None*



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

By: Susan Babbitt

Date: FEBRUARY 3, 2000