



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 17, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware City School District, Delaware County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware City School District, Delaware County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is also is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

December 15, 2006

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of the Delaware City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

Overall:

- Total net assets increased by \$3.7 million, which represents a 37.4% percent increase from fiscal year 2005. This increase was due to fiscal year 2006 being the first year in which the full amount of taxes generated by the tax levies approved by voters during calendar year 2004.
- Total assets of governmental activities increased slightly (approximately \$275,000) based on higher property taxes receivable being offset by a decrease in capital assets. The increase in the property taxes receivable was due to increased property values while the decrease in capital assets was due to current depreciation expense exceeding current year additions of capital assets.
- General revenues accounted for \$44.8 million or 88.3 percent of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions account for \$5.9 million or 11.7 percent of total revenues of \$50.8 million.
- Of the School District's \$47.1 million in expenses, only \$5.9 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements, and property taxes) were used to cover the net expense of \$41.1 million.
- The General Fund, the School District's most significant fund, had an ending fund balance of \$6.7 million or 56.5 percent of the total ending fund balance for governmental funds. The other two major funds, the Debt Service and Permanent Improvement Funds, had \$2.3 million or 19.8 percent and \$2.1 million or 17.7 percent of the total ending fund balance for governmental funds, respectively.

Using the Basic Financial Statements

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins after the statement of activities. Fund financial reports provide detailed information about the General, Debt Service and Permanent Improvement Funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds, and therefore only the major funds are presented separate from the other governmental funds.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

**TABLE 1
NET ASSETS**

	<u>2006</u>	<u>2005</u>
<i>Assets:</i>		
Current and other Assets	\$ 38,252,372	\$ 37,015,222
Capital Assets	<u>43,122,052</u>	<u>44,085,790</u>
Total Assets	<u>81,374,424</u>	<u>81,101,012</u>
<i>Liabilities:</i>		
Long-Term Liabilities	43,519,798	44,952,293
Other Liabilities	<u>24,240,107</u>	<u>26,242,112</u>
Total Liabilities	<u>67,759,905</u>	<u>71,194,405</u>
<i>Net Assets:</i>		
Invested in Capital Assets, Net of Debt	1,609,623	2,929,374
Restricted	4,762,748	1,621,015
Unrestricted	<u>7,242,148</u>	<u>5,356,218</u>
Total Net Assets	<u>\$ 13,614,519</u>	<u>\$ 9,906,607</u>

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2006, the School District's total net assets were \$13.6 million. Of that amount, approximately \$1.6 million was invested in capital assets, net of debt related to those assets. Another \$4.8 million was subject to external restrictions upon its use. The remaining \$7.2 million was unrestricted and available for future use as directed by the Board of Education and the School District's Administration. The increase in unrestricted net assets resulted from fiscal year 2006 being the first full year taxes were collected on the additional emergency operating levy passed by voters in March 2004 as well as the replacement 3-mill five-year permanent improvement levy approved in November 2004. Since collections do not start until the subsequent calendar year, only half of the additional revenues approved by voters were collected in fiscal year 2005.

DELAWARE CITY SCHOOL DISTRICT
Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2 shows the changes in net assets for fiscal year 2006 as compared to those for fiscal year 2005

TABLE 2
CHANGES IN NET ASSETS

	2006	2005
Revenues		
Program Revenues:		
Charges for Services	\$ 2,666,339	\$ 2,477,376
Operating Grants and Contributions	3,265,949	3,061,849
Capital Grants and Contributions	16,283	112,754
General Revenues:		
Property Taxes	29,963,390	27,782,372
Grants and Entitlements	14,016,970	13,555,231
Other	866,058	735,566
Total Revenues	<u>50,794,989</u>	<u>47,725,148</u>
Program Expenses		
Instruction	24,907,634	23,753,825
Support Services:		
Pupil and Instructional Staff	4,786,493	4,602,365
Board of Education, Administration, Fiscal and Business	4,308,381	4,158,555
Plant Operation and Maintenance	4,200,914	3,764,160
Pupil Transportation	2,456,241	2,318,784
Central	182,738	187,800
Operation of Non-Instructional Services	1,510,547	1,453,886
Extracurricular Activities	1,338,174	1,191,099
Unallocated Depreciation	997,877	1,188,020
Interest and Fiscal Charges	2,398,078	2,217,833
Total Expenses	<u>47,087,077</u>	<u>44,836,327</u>
Increase in Net Assets	<u>\$ 3,707,912</u>	<u>\$ 2,888,821</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 59 percent of revenues for governmental activities for the Delaware City School District for fiscal year 2006 compared with 58.2 percent for fiscal year 2005. This increase resulted from additional property taxes generated by the passage of a three mill emergency operating levy by voters in 2004.

In addition to property taxes, the School District relies significantly on the state foundation program and other entitlement programs to fund its operations; approximately 27.6 percent of the School District's total revenue was received from unrestricted intergovernmental sources during fiscal year 2006.

Program revenue reported for fiscal year 2006 was \$5.9 million, which represents a 5.3 percent increase over the amount reported for program revenue in the prior fiscal year. Increases in funding levels for restricted state and federal educational grants for fiscal year 2006, account for the increase in program revenue.

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services for each function for fiscal year 2006 as compared with fiscal year 2005.

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

	2006		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 24,908	\$ 21,998	\$ 23,754	\$ 20,887
Support Services:				
Pupil and Instructional Staff	4,786	4,105	4,602	4,016
Board of Education, Administration, Fiscal and Business	4,308	4,231	4,158	4,067
Plant Operation and Maintenance	4,201	4,168	3,764	3,730
Pupil Transportation	2,456	2,268	2,319	2,150
Central	183	168	188	174
Operation of Non-Instructional Services	1,511	(25)	1,454	(5)
Extracurricular Activities	1,338	830	1,191	759
Unallocated Depreciation	998	998	1,188	1,188
Interest and Fiscal Charges	2,398	2,398	2,218	2,218
Total Expenses	<u>\$ 47,087</u>	<u>\$ 41,139</u>	<u>\$ 44,836</u>	<u>\$ 39,184</u>

The increase in expenses reported for the operation and maintenance of plant for fiscal year 2006, was due to a continued effort on repair and maintenance projects completed on buildings throughout the School District, which did not extend the useful life of the building and therefore were not capitalized.

The program revenue generated by the operation of non-instructional services, primarily food service operations, were more than enough to cover the expenses reported for that function. Interest and fiscal costs increased for fiscal year 2006 due to accrued interest being reported on outstanding debt obligations as well as the annual accretion of interest costs associated with the various capital appreciation bonds issued by the School District in prior years. The increase reported in the expenses reported for the transportation function was due to higher costs of operation, specifically significant increases in the cost of fuel.

While the functional areas noted above did differ from year to year, the majority of the School Districts functional areas are driven by the cost of personnel (wages and fringe benefits). The steady increase in expense of the School District can be attributed to wage adjustments and the increasing cost of providing employees with the necessary fringe benefits. While management is attempting to maintain fringe benefit costs in every manner possible, the increasing cost of healthcare insurance coverage makes cost containment difficult at best.

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

DELAWARE CITY SCHOOL DISTRICT
Delaware County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$50.6 million and expenditures of \$48.2 million. The net change in fund balance was most significant in the General Fund, an increase of \$1.3 million due primarily to additional tax revenues received in fiscal year 2006. Despite the overall fund balance increase reported in the General Fund, unreserved fund balance in the general fund went from \$513,000 in 2005 to a \$162,700 deficit in 2006. This decrease was due to the additional reservation of fund balance for property taxes available for advance at June 30, 2006. All of the School District's major funds reported an increase in fund balance for fiscal year 2006.

General Fund Budgeting Highlights

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

For the General Fund, budget basis revenue was \$36.2 million as compared to the original budget estimates of \$34.9 million. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$36.8 million, nearly \$175,000 less than what was originally budgeted. As the revenue growth for the School District is limited, management continues its efforts to control spending in all areas possible.

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

Capital Assets

At the end of fiscal year 2006, the School District had \$43.1 million invested in land, buildings, furniture and equipment, vehicles, and textbooks and library books in governmental activities. Table 4 shows fiscal year 2006 balances compared to 2005, however for greater detail readers should review Note 9 to the basic financial statements.

TABLE 4
CAPITAL ASSETS AT JUNE 30

	<u>2006</u>	<u>2005</u>
Land	\$ 2,699,613	\$ 2,699,613
Buildings and Improvements	51,657,209	51,657,209
Equipment	4,599,619	4,343,852
Vehicles	2,850,503	2,615,383
Textbooks & Library Books	2,546,227	2,546,227
Less: Accumulated Depreciation	<u>(21,231,119)</u>	<u>(19,776,494)</u>
Total Net Assets	<u>\$ 43,122,052</u>	<u>\$ 44,085,790</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

Overall, net capital assets decreased \$963,738 from fiscal year 2005. This decrease in net capital assets results from the current year depreciation expense being a greater amount than current year acquisition of capital assets.

Significant capital asset acquired during fiscal year 2006 consisted primarily of \$235,120 for the purchase of three school buses, \$212,861 for the installation of new security systems in buildings throughout the District and \$82,408 related to the purchase of various equipment items. Depreciation expense for the year totaled \$1,480,295.

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

Debt Administration

At June 30, 2006, the School District had six general obligation bond issues outstanding with a combined outstanding principal of \$41.1 million, of which \$2.3 million is due within one year. Three of the bond issues were issued in the 1990's to provide financing for school building construction or improvement projects. The other three bond issues were used to advance refund portions of the school construction bonds mentioned above. Two of the refunding bonds were issued during fiscal year 2006. This refunding of \$16.3 million of previously issued bonds was undertaken to reduce total debt service over the next twenty-one years by over \$1.1 million.

Other significant obligations include \$870,000 of capital lease obligations associated with the HVAC projects throughout the School District, and \$1.6 million of long-term compensated absences for employees who are likely to receive their leave balance as severance payment when they retire, but are not expected to retire in the near future.

Total long-term obligations of the School District were \$43.5 million at June 30, 2006 with approximately \$3.0 million being due within one year.

At June 30, 2006, the School District's overall legal debt margin was \$26.2 million and the unvoted debt margin was \$729,637.

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

Contacting the School District's Financial Management

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

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 9,323,073
Investments	2,000
Materials and supplies inventory	105,126
Accrued interest receivable	32,638
Accounts receivable	117,237
Intergovernmental receivable	289,333
Prepaid items	118,844
Property and other local taxes receivables	27,821,436
Unamortized bond issuance costs	442,685
Capital assets, net of accumulated depreciation	40,422,439
Land	2,699,613
Total Assets	81,374,424
Liabilities:	
Accounts payable	272,214
Accrued wages and benefits payable	4,550,621
Intergovernmental payable	1,201,258
Accrued interest payable	110,668
Matured compensated absences payable	240,392
Unearned revenue	17,864,954
Long Term Liabilities:	
Due within one year	2,975,000
Due in more than one year	40,544,798
Total Liabilities	67,759,905
Net Assets:	
Invested in capital assets, net of related debt	1,609,623
Restricted for:	
Debt service	2,413,112
Capital projects	2,180,916
Perpetual care:	
Expendable	479
Nonexpendable	4,200
Other purposes	164,041
Unrestricted	7,242,148
Total Net Assets	\$ 13,614,519

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for services & sales	Operating grants and contributions	Capital grants and contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 18,591,892	\$ 1,107,002	\$ 614,121	\$ -	\$ (16,870,769)
Special	5,137,783	-	1,129,306	-	(4,008,477)
Vocational	326,259	-	-	-	(326,259)
Other	851,700	-	58,825	-	(792,875)
Support Services:					
Pupils	2,184,344	-	45,060	-	(2,139,284)
Instructional staff	2,602,149	-	636,758	-	(1,965,391)
Board of education	197,431	-	-	-	(197,431)
Administration	2,732,185	76,900	-	-	(2,655,285)
Fiscal	926,642	-	-	-	(926,642)
Business	452,123	-	-	-	(452,123)
Operation and maintenance of plant	4,200,914	9,228	24,000	-	(4,167,686)
Pupil transportation	2,456,241	97,495	74,914	16,283	(2,267,549)
Central	182,738	-	15,092	-	(167,646)
Operation of non-instructional services	1,510,547	873,062	662,061	-	24,576
Extracurricular activities	1,338,174	502,652	5,812	-	(829,710)
Interest and fiscal charges	2,398,078	-	-	-	(2,398,078)
Unallocated depreciation *	997,877	-	-	-	(997,877)
Total Governmental Activities	\$ 47,087,077	\$ 2,666,339	\$ 3,265,949	\$ 16,283	(41,138,506)

General Revenues:

Property taxes and other local taxes:

Levied for General Purposes	24,008,323
Levied for Capital Outlay	1,989,776
Levied for Debt Service	3,965,291

Grants and entitlements not restricted to
specific programs

Investment earnings	14,016,970
Miscellaneous	536,984
	329,074

Total General Revenues 44,846,418

Changes in net assets 3,707,912

Net assets at beginning of year (restated - see Note 3) 9,906,607

Net assets at end of year \$ 13,614,519

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

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 5,682,694	\$ 1,143,533	\$ 1,553,542	\$ 943,304	\$ 9,323,073
Investments	-	-	-	2,000	2,000
Materials and supplies inventory	86,097	-	-	19,029	105,126
Accrued interest receivable	28,700	2,472	1,414	52	32,638
Accounts receivable	8,109	-	-	109,128	117,237
Intergovernmental receivable	21,113	-	-	268,220	289,333
Prepaid items	118,844	-	-	-	118,844
Property and other local taxes receivable	21,823,013	4,022,271	1,976,152	-	27,821,436
Total Assets	\$ 27,768,570	\$ 5,168,276	\$ 3,531,108	\$ 1,341,733	\$ 37,809,687
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 163,528	\$ -	\$ 55,846	\$ 52,840	\$ 272,214
Accrued wages and benefits	4,234,088	-	-	316,533	4,550,621
Intergovernmental payable	1,053,746	-	-	147,512	1,201,258
Matured compensated absences payable	240,392	-	-	-	240,392
Deferred revenue	15,408,942	2,833,238	1,391,934	116,415	19,750,529
Total Liabilities	21,100,696	2,833,238	1,447,780	633,300	26,015,014
<u>Fund Balances:</u>					
<u>Reserved for:</u>					
Encumbrances	416,503	-	197,896	80,334	694,733
Property taxes	6,414,071	1,189,033	584,218	-	8,187,322
<u>Unreserved, undesignated, reported in:</u>					
General fund	(162,700)	-	-	-	(162,700)
Special revenue funds	-	-	-	624,443	624,443
Debt service fund	-	1,146,005	-	-	1,146,005
Capital projects funds	-	-	1,301,214	2	1,301,216
Permanent fund	-	-	-	3,654	3,654
Total Fund Balances	6,667,874	2,335,038	2,083,328	708,433	11,794,673
Total Liabilities and Fund Balances	\$ 27,768,570	\$ 5,168,276	\$ 3,531,108	\$ 1,341,733	\$ 37,809,687

See accompanying notes to the basic financial statements

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total Governmental Fund Balances:		\$ 11,794,673
 <u>Amounts reported for governmental activities in the statement of net assets are different because:</u>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		43,122,052
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		1,885,575
Bond issuance costs associated with bonds payable, are recorded as a deferred charge on the accrual basis but are not reported in the funds		442,685
Long-term liabilities which are not due and payable in the current period and therefore not reported in the funds.		
General obligation bonds payable	(6,716,125)	
Refunding bonds payable	(33,894,483)	
Accrued interest payable	(110,668)	
Premium on refunding bonds	(2,369,503)	
Deferred amount on refunding	1,894,997	
Compensated absences	(1,564,684)	
Capital leases payable	<u>(870,000)</u>	
Total		<u>(43,630,466)</u>
Net Assets of Governmental Activities		<u>\$ 13,614,519</u>

See accompanying notes to the basic financial statements

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and other local taxes	\$ 23,914,510	\$ 3,952,025	\$ 1,984,672	\$ -	\$ 29,851,207
Intergovernmental	13,436,802	428,628	207,323	3,041,281	17,114,034
Interest	460,307	39,467	30,009	7,237	537,020
Tuition and fees	458,793	-	-	645,846	1,104,639
Rentals	9,228	-	-	-	9,228
Extracurricular activities	-	-	-	577,843	577,843
Gifts and donations	-	-	-	129,049	129,049
Customer sales and services	13,510	-	-	961,119	974,629
Miscellaneous	114,275	-	-	214,799	329,074
Total Revenues	<u>38,407,425</u>	<u>4,420,120</u>	<u>2,222,004</u>	<u>5,577,174</u>	<u>50,626,723</u>
Expenditures:					
Current:					
Instruction:					
Regular	16,796,347	-	555,046	1,183,915	18,535,308
Special	4,068,615	-	-	1,087,826	5,156,441
Vocational	322,820	-	-	-	322,820
Other instruction	782,875	-	-	68,825	851,700
Support Services:					
Pupils	2,111,764	-	-	97,173	2,208,937
Instructional staff	1,979,123	-	-	676,583	2,655,706
Board of education	197,431	-	-	-	197,431
Administration	2,609,022	-	7,715	142,372	2,759,109
Fiscal	835,537	325,341	31,818	-	1,192,696
Business	288,788	-	168,232	-	457,020
Operation and maintenance of plant	4,042,110	-	21,189	78,912	4,142,211
Pupil transportation	2,135,891	-	159,766	30,445	2,326,102
Central	159,593	-	-	20,540	180,133
Non-instructional services	-	-	-	1,506,174	1,506,174
Extracurricular activities	772,881	-	-	559,352	1,332,233
Capital outlay	4,655	-	504,184	125,391	634,230
Debt Service:					
Principal retirement	-	2,295,000	8,278	-	2,303,278
Interest and fiscal charges	-	1,411,058	109	-	1,411,167
Total Expenditures	<u>37,107,452</u>	<u>4,031,399</u>	<u>1,456,337</u>	<u>5,577,508</u>	<u>48,172,696</u>
Excess of Revenues Over(Under) Expenditures	<u>1,299,973</u>	<u>388,721</u>	<u>765,667</u>	<u>(334)</u>	<u>2,454,027</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Refunding Bonds	-	16,294,994	-	-	16,294,994
Payment to Refunded Bond Escrow Agent	-	(16,980,537)	-	-	(16,980,537)
Premium on Debt Issuance	-	948,652	-	-	948,652
Transfers-In	-	-	-	20,000	20,000
Transfers-Out	(20,000)	-	-	-	(20,000)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>263,109</u>	<u>-</u>	<u>20,000</u>	<u>263,109</u>
Net Change in Fund Balance	1,279,973	651,830	765,667	19,666	2,717,136
Fund Balance at Beginning of Year	<u>5,387,901</u>	<u>1,683,208</u>	<u>1,317,661</u>	<u>688,767</u>	<u>9,077,537</u>
Fund Balance at End of Year	<u>\$ 6,667,874</u>	<u>\$ 2,335,038</u>	<u>\$ 2,083,328</u>	<u>\$ 708,433</u>	<u>\$ 11,794,673</u>

See accompanying notes to the basic financial statements

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 2,717,136

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

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

Fixed asset additions	530,389	
Current year depreciation	<u>(1,480,295)</u>	
Total		(949,906)

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

Loss on disposal of capital assets		(13,832)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	112,183	
Intergovernmental	56,119	
Interest	<u>(36)</u>	
Total		168,266

In governmental funds, proceeds from sale of debt is considered a source of financing, but in the statement of net assets, the debt obligations are reported as a liability.

(16,294,994)

In the statement of activities, certain costs and proceeds associated with long-term debt issued during the year are accrued and amortized over the life of the debt. In governmental funds these costs and proceeds are recognized as other financing sources and uses.

Bond issuance costs	263,109	
Premium on bonds issued	(948,652)	
Deferred charge on refunding	<u>685,537</u>	
Total		(6)

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

General obligation bonds	1,700,000	
Refunding bonds	185,000	
Capital leases	418,278	
G.O. bonds defeased through payment to escrow agent	<u>16,295,000</u>	
Total		18,598,278

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

(1,008,356)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Intergovernmental payable	357,156	
Compensated absences	131,963	
Amortization of bond issuance costs	(19,238)	
Amortization of bond premium	122,409	
Amortization of deferred amount on refunding	<u>(100,964)</u>	
Total		<u>491,326</u>

Change in Net Assets of Governmental Activities

\$ 3,707,912

See accompanying notes to the basic financial statements

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final Revised		
Revenues:				
Taxes	\$ 20,976,233	\$ 21,745,172	\$ 21,745,172	\$ -
Intergovernmental	13,259,126	13,441,612	13,441,612	-
Interest	150,000	417,043	416,192	(851)
Tuition and Fees	458,300	431,513	432,440	927
Rentals	10,000	9,228	9,228	-
Customer Sales and Service	10,000	13,510	13,510	-
Miscellaneous	66,000	111,033	113,141	2,108
Total Revenues	<u>34,929,659</u>	<u>36,169,111</u>	<u>36,171,295</u>	<u>2,184</u>
Expenditures:				
Current:				
Instruction:				
Regular	16,421,739	16,488,338	16,487,881	457
Special	4,136,313	4,107,642	4,107,641	1
Vocational	329,948	318,550	318,550	-
Other Instruction	737,000	805,247	793,867	11,380
Support Services:				
Pupils	2,172,757	2,138,629	2,138,628	1
Instructional Staff	1,986,489	1,949,353	1,948,391	962
Board of Education	230,580	210,881	210,881	-
Administration	2,577,596	2,564,481	2,564,480	1
Fiscal	855,324	831,831	831,830	1
Business	274,110	277,142	277,142	-
Operation and Maintenance of Plant	4,188,993	4,132,449	4,132,449	-
Pupil Transportation	2,118,470	2,096,120	2,096,119	1
Central	164,566	165,188	165,187	1
Extracurricular Activities	822,317	766,709	766,708	1
Capital Outlay	2,000	4,655	4,655	-
Total Expenditures	<u>37,018,202</u>	<u>36,857,215</u>	<u>36,844,409</u>	<u>12,806</u>
Excess of Revenues Over(Under) Expenditures	(2,088,543)	(688,104)	(673,114)	14,990
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	-	27	27	-
Transfers-Out	(30,000)	(20,000)	(20,000)	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(19,973)</u>	<u>(19,973)</u>	<u>-</u>
Net Change in Fund Balances	<u>(2,118,543)</u>	<u>(708,077)</u>	<u>(693,087)</u>	<u>14,990</u>
Fund Balance at Beginning of Year	5,420,203	5,420,203	5,420,203	-
Prior Year Encumbrances Appropriated	391,665	391,665	391,665	-
Fund Balance at End of Year	<u>\$ 3,693,325</u>	<u>\$ 5,103,791</u>	<u>\$ 5,118,781</u>	<u>\$ 14,990</u>

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Private Purpose Trust	Agency Funds
Assets:		
Equity in pooled cash and cash equivalents	\$ 48,186	\$ 205,134
Investments	82,467	-
Accrued interest receivable	1,956	-
Accounts receivable	-	1,585
 Total Assets	 132,609	 206,719
Liabilities:		
Accounts payable	-	32,947
Intergovernmental payable	-	24
Due to students	-	173,748
 Total Liabilities	 -	 \$ 206,719
Net Assets:		
Held in trust for scholarships	\$ 132,609	

See accompanying notes to the basic financial statements.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$ 1,450
Investment Earnings	<u>3,667</u>
Total Additions	<u>5,117</u>
Deductions:	
Payments in accordance with trust agreements	<u>10,619</u>
Total Deductions	<u>10,619</u>
Change in Net Assets	(5,502)
Net Assets Beginning of Year	<u>138,111</u>
Net Assets End of Year	<u><u>\$ 132,609</u></u>

See accompanying notes to the basic financial statements.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Delaware City School District (School District) operates under a locally-elected five member board form of government and provides educational services mandated by state and, or federal agencies. This board controls the School District's eight instructional/support facilities staffed by 181 non-certificated employees, 324 certificated employees and 21 administrative employees to provide services to a student enrollment of 4,413 students.

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

The School District serves an area of approximately 41 square miles within Delaware County, including all of the City of Delaware, Ohio and portions of surrounding townships. The School District is the second largest in Delaware County in terms of enrollment. It currently operates five elementary schools, one intermediate school, one middle school and one comprehensive high school.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading.

The primary government consists of all funds and departments, not legally separate from the School District, which provide various services including instruction, student guidance, extracurricular activities, educational media and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing body and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations for which the School District approves the budget, the issuance of debt or the levying of taxes.

The School District does not have any component units.

The District is associated with two organizations, which are defined as jointly governed. These organizations include the Tri-Rivers Educational Computer Association and the Delaware County Area Career Center. These organizations are presented in Note 17 to the basic financial statements.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Delaware City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government-wide activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

B. Fund Accounting

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budget Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

During fiscal year 2006, investments were limited to various government securities, certificates of deposit, repurchase agreements and STAR Ohio.

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

The School District has invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

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

The School District has allocated interest according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$460,307, which includes \$67,046 assigned from other funds. Interest was also recorded in the debt service, permanent improvement, non-major and private purpose trust funds in the amounts of \$39,467, \$30,009, \$7,237 and \$3,667, respectively.

G. Inventory

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method and recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Estimates

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

K. Capital Assets and Depreciation

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

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

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

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

L. Interfund Activity

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

M. Compensated Absences

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

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A liability for sick leave is accrued using the vesting method which states that the District will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated sick leave for all employees after fifteen years of current service with the School District.

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

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Net Assets

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

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

P. Reservations and Designations of Fund Balance

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

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 3 – PRIOR PERIOD ADJUSTMENT

In prior years, the School District issued general obligation bonds to provide resources to advance refund outstanding general obligation bonds. The refunding bonds issued included capital appreciation bonds as well as serial and term interest bonds. At June 30, 2005 the accreted value of the capital appreciation bonds was \$2,474,274 but was reported in the financial statements at \$1,591,115. Accordingly, the amount reported at June 30, 2005 related to the carrying amount of the capital appreciation bonds was increased by \$883,159. This adjustment resulted in the net assets of governmental activities being restated from \$10,789,766 previously reported to \$9,906,607 as of July 1, 2005.

NOTE 4 - ACCOUNTABILITY

At June 30, 2006, the Miscellaneous State Grants, Title VI(B) and LEP Title III special revenue funds reported fund deficits of \$31,545, \$3,690 and \$1,304, respectively. These deficits resulted from adjustments for accrued liabilities. Management expects the deficit in this fund to be corrected in early fiscal year 2007. The general fund is liable for any deficit in other funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ 1,279,973
Revenue Accruals	(2,236,103)
Expenditure Accruals	826,981
Encumbrances	<u>(563,938)</u>
Budget Basis	<u>\$ (693,087)</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Deposits

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

At year end, the carrying amount of the School District’s deposits was \$4,011,506 and the bank balance was \$4,049,216. Of the bank balance, \$184,467 was covered by federal depository insurance and \$3,864,749 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

Investments are reported at fair value. As of June 30, 2006, the School District’s only investment was an equity interest in the STAROhio investment pool with a carrying value of \$5,649,354. Standards and Poor’s has rated the STAROhio investment pool “AAAm”.

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

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

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

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 7 - PROPERTY TAXES

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

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Delaware City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended June 30, 2006 was \$71.16 per \$1,000 of assessed value. The assessed values upon which the fiscal year 2006 taxes were collected are as follows:

	<u>2006 First Half Collections</u>	<u>2005 Second Half Collections</u>
Agricultural/residential and other real estate property	\$ 658,131,090	\$ 572,080,200
Public utility personal property	20,437,550	20,805,500
Tangible personal property	<u>51,068,230</u>	<u>64,200,998</u>
Total	<u>\$ 729,636,870</u>	<u>\$ 657,086,698</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of June 30, 2006. Although total property tax collections for the next year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006 was recognized as revenue.

The amount available as an advance at June 30 was \$6,414,071 in the General Fund, \$1,189,033 in the Bond Retirement Debt Service Fund and \$584,218 in the Permanent Improvement Capital Projects Fund. These amounts have been set aside as a reservation of fund balance.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006, consisted of current and delinquent property taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:

Miscellaneous amounts due from other governments	\$ 21,113
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Non-Major Funds:

Food Service Subsidy	72,082
Title VI-B Grant	36,067
Title I Grant	32,017
Title VI-R Grant	76,043
Other non-major funds	<u>52,011</u>
Non-major Funds	268,220
Total Intergovernmental Receivables	<u>\$ 289,333</u>

NOTE 9 - CAPITAL ASSETS

A summary of the School District's general capital assets for fiscal year 2006 is as follows:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<i><u>Capital Assets, not being depreciated</u></i>				
Land	\$ 2,699,613	\$ -	\$ -	\$ 2,699,613
<i><u>Capital Assets, being depreciated</u></i>				
Buildings and Improvements	51,657,209	-	-	51,657,209
Furniture and Equipment	4,343,852	295,269	(39,502)	4,599,619
Vehicles	2,615,383	235,120	-	2,850,503
Library and Textbooks	<u>2,546,227</u>	-	-	<u>2,546,227</u>
	<u>61,162,671</u>	<u>530,389</u>	<u>(39,502)</u>	<u>61,653,558</u>
<i><u>Less: Accumulated Depreciation</u></i>				
Buildings and Improvements	(13,151,999)	(1,027,100)	-	(14,179,099)
Furniture and Equipment	(2,878,772)	(209,477)	25,670	(3,062,579)
Vehicles	(1,513,420)	(198,446)	-	(1,711,866)
Library and Textbooks	<u>(2,232,303)</u>	<u>(45,272)</u>	-	<u>(2,277,575)</u>
	<u>(19,776,494)</u>	<u>(1,480,295) *</u>	<u>25,670</u>	<u>(21,231,119)</u>
Depreciable Capital Assets, Net	<u>41,386,177</u>	<u>(949,906)</u>	<u>(13,832)</u>	<u>40,422,439</u>
Total Capital Assets, Net	<u>\$ 44,085,790</u>	<u>\$ (949,906)</u>	<u>\$ (13,832)</u>	<u>\$ 43,122,052</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

Instruction:	
Regular	\$ 197,113
Support Services:	
Instructional support	3,135
Administration	2,397
Operation and maintenance of plant	46,813
Pupil transportation	203,570
Operation of non-instructional services	24,161
Extracurricular activities	5,229
Unallocated depreciation	997,877
Total Depreciation Expense	<u>\$ 1,480,295</u>

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

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2006, the School District contracted with the Ohio School Plan for general liability insurance with a \$1 million single occurrence and a \$3 million aggregate limit. Property is protected by Hartford Insurance and holds a \$1,000 deductible per occurrence. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for any part of the last three years.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$917,950, \$819,198, and \$800,682, respectively; 50.0 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$2,656,821, \$2,438,724, and \$2,439,918, respectively; 81.5 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$27,576 made by the School District and \$76,833 made by the plan members.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 12– POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$189,773 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$379,720.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 13 – OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave.

Accumulated Unpaid Sick Leave

District employees may accumulate sick leave. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum of sixty days for certified and classified employees. The total obligation for sick leave accrual for the District as a whole as of June 30, 2006 was \$1,805,076.

NOTE 14 - LONG-TERM OBLIGATIONS

The activity of the School Districts long-term obligations during fiscal year 2006 was as follows:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due within</u> <u>One Year</u>
General Obligation Bonds:					
1994 School Construction					
Capital Appreciation 5-5.35%	\$ 1,741,399	\$ 79,170	\$ 465,000	\$ 1,355,569	\$ 540,000
1995 School Construction					
Current Interest Serial 3.9-5.25%	1,750,000	-	855,000	895,000	895,000
Capital Appreciation 5.8-6.1%	2,869,002	172,854	-	3,041,856	-
1998 School Construction					
Current Interest Serial 3.7-4.95%	3,090,000	-	3,090,000	-	-
Capital Appreciation 4.55-4.7%	1,732,701	70,999	380,000	1,423,700	495,000
Current Interest Term 5-5.125%	13,205,000	-	13,205,000	-	-
2004 Refunding					
Current Interest Serial 2.0-5.0%	14,515,000	-	185,000	14,330,000	190,000
Capital Appreciation 2.3-3.05%	2,474,274	64,871	-	2,539,145	-
2006 Refunding - A series					
Current Interest Serial 3.15-5.0%	-	8,915,000	-	8,915,000	75,000
Capital Appreciation 4.05%	-	601,249	-	601,249	-
Current Interest Term 3.7%	-	390,000	-	390,000	-
2006 Refunding - B series					
Current Interest Serial 3.25-5.0%	-	5,055,000	-	5,055,000	130,000
Capital Appreciation 4.0%	-	574,089	-	574,089	-
Current Interest Term 4.15%	-	1,490,000	-	1,490,000	-
Deferred Amounts:					
Add: Bond Premium	1,543,260	948,652	122,409	2,369,503	-
Less: Deferred Amount on Refunding	(1,310,424)	(685,537)	(100,964)	(1,894,997)	-
Total General Obligation Bonds	41,610,212	17,676,347	18,201,445	41,085,114	2,325,000
Compensated Absences	1,696,647	108,429	240,392	1,564,684	220,000
Capital Lease Obligations	1,288,278	-	418,278	870,000	430,000
Intergovernmental Payable	357,156	-	357,156	-	-
Total Long-Term Obligations	<u>\$ 44,952,293</u>	<u>\$ 17,784,776</u>	<u>\$ 19,217,271</u>	<u>\$ 43,519,798</u>	<u>\$ 2,975,000</u>

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Legal Debt Margins

The School District's voted legal debt margin was \$26,200,241 and an unvoted debt margin of \$729,637 at June 30, 2006.

General Obligation Bonds

The general obligation bond issues will be paid through the debt service fund from property taxes collected by the County Auditor. The District issued general obligation debt for the following purposes:

- \$9,098,460, issued in fiscal year 1995 and maturing in fiscal year 2017, for the construction of an elementary school. The original issue included current interest serial bonds, capital appreciation bonds and current interest term bonds. In fiscal year 2004, the School District advanced refunded \$4,830,000 of this issue. The remaining capital appreciation bonds will be fully matured in 2008. The maturity amount of the remaining capital appreciation bonds is \$1,540,000. For fiscal year 2006, \$79,170 was accreted for a total bond value of \$1,355,569.
- \$19,899,306, issued in fiscal year 1995 and maturing in fiscal year 2021, for the construction of a new middle and high school. The original issue included current interest serial bonds, capital appreciation bonds and current interest term bonds. In fiscal year 2004, the School District advanced refunded \$11,615,000 of this issue. The capital appreciation bonds will mature in 2009-2012. The maturity amount of the bonds is \$4,050,000. For fiscal year 2006, \$172,854 was accreted for a total bond value of \$3,041,856.
- \$19,749,968, issued in fiscal year 1999 and maturing in fiscal year 2026, for the construction of a new middle school. The original issue included current interest serial bonds, capital appreciation bonds and current interest term bonds. In fiscal year 2006, the School District advanced refunded \$16,295,000 of this issue. The remaining capital appreciation bonds will be fully matured in 2008. The maturity amount of the remaining capital appreciation bonds is \$1,520,000. For fiscal year 2006, \$70,999 was accreted for a total bond value of \$1,423,700.
- \$16,444,954, issued in fiscal year 2004 and maturing in fiscal year 2021, for the partial advance refunding of general obligation bonds previously issued, \$4,830,000 of 1994 bonds and \$11,615,000 of 1995 bonds. These bonds include current interest serial bonds and capital appreciation bonds. The capital appreciation bonds will mature in 2008 through 2010. The maturity amount of the bonds is \$2,700,000. For fiscal year 2006, \$64,871 was accreted for a total bond value of \$2,539,145.
- \$16,294,994, issued in fiscal year 2006 (two different series) and maturing in fiscal year 2026, for the partial advance refunding of \$16,295,000 of general obligation bonds issued in 1999. These bonds include current interest serial bonds and capital appreciation bonds. The capital appreciation bonds will mature in 2015 and 2016. The maturity amount of the bonds is \$1,685,000. For fiscal year 2006, \$730,344 was accreted for a total bond value of \$1,175,338.

DELAWARE CITY SCHOOL DISTRICT

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the District's long-term general obligation bonds outstanding at June 30, 2006 are shown in the table below. The capital appreciation bonds are included at the full maturity value reported in the principal column.

Fiscal Year Ended June 30,	Principal	Interest	Total
2007	\$ 2,325,000	\$ 1,299,331	\$ 3,624,331
2008	2,205,000	1,321,382	3,526,382
2009	2,185,000	1,317,142	3,502,142
2010	2,215,000	1,284,983	3,499,983
2011	2,275,000	1,213,639	3,488,639
2012-2016	12,510,000	5,156,900	17,666,900
2017-2021	12,045,000	2,741,999	14,786,999
2022-2026	6,675,000	723,953	7,398,953
Total	<u>\$ 42,435,000</u>	<u>\$ 15,059,329</u>	<u>\$ 57,494,329</u>

Advanced Refunding

During fiscal year 2006 the School District issued \$16,294,994 of general obligation bonds (in two separate series) to provide resources to purchase U.S. Government securities that were placed, along with the premiums received associated with the sale of the bonds, in an irrevocable trust for the purpose of generating resources for future debt service payments of \$16,295,000 of the 1998 school construction general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$685,537. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next twenty-one years by \$1,148,764 and resulted in an economic gain of \$799,815.

Other Long-Term Obligations

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

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In the previous fiscal year, the School District entered into a capitalized lease for HVAC upgrades at various school facilities. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital outlay expenditures will be made out of the building fund as they are incurred. Capital lease payments will be reflected as debt service expenditures in the basic financial statements for the governmental funds. The terms of the lease includes an option that would allow the School District to satisfy their obligation at any time by paying principal plus accrued interest, otherwise lease payments are renewable every year for the next five years. In prior years, the School District entered into several other leases deemed to be capital leases.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$2,185,238, which is equal to the present value of the minimum lease payments at the time of acquisition. The corresponding liability was split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net assets for governmental activities. Principal payments in fiscal year 2006 totaled \$418,278.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006.

	<u>Fiscal Year Ended June 30,</u>	
	2007	\$ 463,078
	2008	456,775
Total		<u>919,853</u>
Less: Amount Representing Interest		<u>(49,853)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 870,000</u>

NOTE 16 - INTERFUND ACTIVITY

During the year ended June 30, 2006, the School District provided operating funds to the District Managed Student Activity Fund through a transfer from the General Fund. The amount of this transfer was \$20,000 was made with no intention of repayment.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association

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

The governing board of TRECA consists of one representative from each county elected by a majority vote of all charter member school districts within each county, one representative from the city school districts and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from Mike Carder, who serves as Director, at 2222 Marion Mt. Gilead Road, Marion, Ohio 43302. The School District paid \$286,315 to TRECA during fiscal year 2006.

Delaware Area Career Center

The Delaware Joint Area Career Center (Career Center) is a distinct political subdivision of the State of Ohio, which provides vocational education. The Career Center operates under the direction of a Board consisting of one representative from each of the ten participating school district's Board of Education. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Treasurer's Office at 4565 Columbus Pike Road, Delaware, Ohio 43015. The School District paid \$1,072 to the Career Center during fiscal year 2006.

DELAWARE CITY SCHOOL DISTRICT

Delaware County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 18 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

Litigation

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

	<u>Textbooks</u>	<u>Capital Spending</u>	<u>Total</u>
Set-aside Reserve Balance as of June 30, 2005	\$ (1,314,327)	\$ -	\$ (1,314,327)
Current Year Set-aside Requirement	639,175	639,175	1,278,350
Qualifying Disbursements	<u>(1,017,014)</u>	<u>(1,850,864)</u>	<u>(2,867,878)</u>
Total	<u>\$ (1,692,166)</u>	<u>\$ (1,211,689)</u>	<u>\$ (2,903,855)</u>
Balance Carried forward to FY 2007	<u>\$ (1,692,166)</u>	<u>\$ -</u>	

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

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>United States Department of Agriculture</u>						
<u>Passed Through Ohio Department of Education</u>						
Nutrition Cluster:						
School Breakfast Program	043877-05PU-2005/2006	10.553	\$ 41,797	\$ -	\$ 41,797	\$ -
National School Lunch Program	043877-LLP1/LLP4-2004/2005	10.555	405,035	-	405,035	-
Summer Food Service Program for Children		10.559	1,250	-	1,250	-
Total Nutrition Cluster			448,082	-	448,082	-
Food Donation Program	N/A	10.550	-	117,218	-	117,218
Fresh Fruit and Vegetables Program	043877-VGS1-2005/2006	10.582	25,292	-	25,292	-
Total United States Department of Agriculture			473,374	117,218	473,374	117,218
<u>United States Department of Education</u>						
<u>Passed Through Ohio Department of Education</u>						
Title I Grants to Local Educational Agencies	043877-CIS1-2005/2006	84.010	372,944	-	379,117	-
Special Education Cluster:						
Special Education_Grants to States	043877-6BPB/6BSF-2005/2006	84.027	1,186,868	-	1,225,673	-
Special Education_Preschool Grants	043877-PGS1-2005/2006	84.173	31,897	-	32,585	-
Total Special Education Cluster			1,218,765	-	1,258,258	-
Safe and Drug Free School and Communities_State Grants	043877-DRS1-2005/2006	84.186	17,993	-	18,368	-
Innovative Educational Program Strategies	043877-C2S1-2005/2006	84.298	20,524	-	27,445	-
Technology Literacy Challenge Fund Grants	043877-TJS1/TJSL-2005/2006	84.318	58,617	-	64,174	-
LEP Title III	043877-T3S1/T3S2-2005/2006	84.365	10,341	-	9,507	-
Improving Teacher Quality State Grants	043877-TRS1-2005/2006	84.367	157,008	-	170,980	-
Hurricane Education Recovery	043877-HR01-2006	84.938	6,500	-	6,500	-
Total United States Department of Education			1,862,692	-	1,934,349	-
<u>United States Department of Health and Human Services</u>						
<u>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</u>						
Medical Assistance Program	N/A	93.778	83,118	-	83,118	-
State Children's Insurance Program	N/A	93.767	10,647	-	10,647	-
Total U.S. Department of Health and Human Services			93,765	-	93,765	-
<u>United States Department of Homeland Security</u>						
<u>Passed Through Ohio Department of Public Safety</u>						
Disaster Grants - Public Assistance	041-0D9DR-00	97.036	7,728	-	7,728	-
Total United States Department of Homeland Security			7,728	-	7,728	-
Totals			\$ 2,437,559	\$ 117,218	\$ 2,509,216	\$ 117,218

The accompanying notes are an integral part of this schedule.

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware City School District, Delaware County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 15, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

December 15, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Delaware City School District, Delaware County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Delaware City School District, Delaware County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The District's management 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 directly and materially affect major federal programs 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.

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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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

December 15, 2006

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies (CFDA #84.010) Special Education Cluster (CFDA #84.027 and #84.173) Improving Teacher Quality State Grants (CFDA #84.367)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**DELAWARE CITY SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2006**

Finding Numbers	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	For the Special Education Cluster (CFDA # 84.027/84.173) and Improving Teacher Quality State Grants (CFDA # 84.367) the District did not comply with 34 CFR 80.21(c) regarding cash management. The District reported budgeted payroll expenditures each time a cash request form was completed, rather than reporting actual cash expenditures, as required.	Yes	N/A



Mary Taylor, CPA
Auditor of State

DELAWARE CITY SCHOOL DISTRICT

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 23, 2007**