



Dave Yost • Auditor of State



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Delphos City School District  
Allen County  
234 North Jefferson Street  
Delphos, Ohio 45833

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 Delphos City School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2012 which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 Delphos City School District, Allen County, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the fiscal 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 March 18, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 18, 2013

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

The discussion and analysis of Delphos City School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Delphos City School District's financial position.

The statement of net assets and the statement of activities provide information about the activities of the School District as a whole, presenting both an aggregate and a longer-term view of the School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the School District's most significant funds individually and the School District's non-major funds in a single column. The School District's major funds are the General Fund and the Permanent Improvement capital projects fund.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors can include changes in the School District's property tax base and the condition of the School District's capital assets. These factors must be considered when assessing the overall health of the School District.

In the statement of net assets and the statement of activities, all of the School District's activities are reported as governmental activities. All of the School District's programs and services are reported here, including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

Fund financial statements provide detailed information about the School District's major funds. The School District's major funds are the General Fund and the Permanent Improvement capital projects fund. While the School District uses many funds to account for its financial transactions, these funds are the most significant.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**Governmental Funds** - The School District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The School District's basic services are reported in these funds. The financial statements focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 provides a summary of the School District's net assets for fiscal year 2012 and fiscal year 2011.

<b>Table 1</b>			
<b>Net Assets</b>			
	<b>Governmental Activities</b>		<b>Change</b>
	<b>2012</b>	<b>2011</b>	
<b>Assets:</b>			
Current and Other Assets	\$6,020,969	\$5,587,766	\$433,203
Capital Assets, Net	4,116,768	4,105,121	11,647
<b>Total Assets</b>	<b>10,137,737</b>	<b>9,692,887</b>	<b>444,850</b>
<b>Liabilities:</b>			
Current and Other Liabilities	4,952,993	5,003,692	(50,699)
Long-Term Liabilities	535,231	515,257	19,974
<b>Total Liabilities</b>	<b>5,488,224</b>	<b>5,518,949</b>	<b>(30,725)</b>
<b>Net Assets:</b>			
Invested in Capital Assets	4,116,768	4,105,121	11,647
Restricted	1,141,664	935,571	206,093
Unrestricted (Deficit)	(608,919)	(866,754)	257,835
<b>Total Net Assets</b>	<b>\$4,649,513</b>	<b>\$4,173,938</b>	<b>\$475,575</b>

The increase in current and other assets is due to the cash savings from the significant cuts, including personnel. This increase is also reflected in the increase in unrestricted net assets. The decrease in current and other liabilities is the reduction in wages and related payables. The increase in restricted net assets is due to grant resources not spent.



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011.

**Table 2  
Change in Net Assets**

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2012</b>	<b>2011</b>	
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	\$1,227,739	\$1,123,015	\$104,724
Operating Grants, Contributions, and Interest	1,895,836	1,894,965	871
Capital Grants and Contributions		13,130	(13,130)
Total Program Revenues	<u>3,123,575</u>	<u>3,031,110</u>	<u>92,465</u>
<b>General Revenues:</b>			
Property Taxes	3,937,767	3,712,641	225,126
Payment in Lieu of Taxes	38,562	38,562	
Grants and Entitlements not Restricted to Specific Programs	3,769,418	4,095,122	(325,704)
Interest	15,251	21,562	(6,311)
Miscellaneous	48,063	140,909	(92,846)
Total General Revenues	<u>7,809,061</u>	<u>8,008,796</u>	<u>(199,735)</u>
Total Revenues	<u>10,932,636</u>	<u>11,039,906</u>	<u>(107,270)</u>
<b>Expenses:</b>			
<b>Instruction:</b>			
Regular	4,419,819	4,626,237	206,418
Special	1,266,322	1,146,833	(119,489)
Vocational	419,913	581,820	161,907
<b>Support Services:</b>			
Pupils	510,319	510,012	(307)
Instructional Staff	267,885	491,708	223,823
Board of Education	26,199	30,682	4,483
Administration	846,341	911,169	64,828
Fiscal	311,792	373,440	61,648
Operation and Maintenance of Plant	572,492	646,534	74,042
Pupil Transportation	480,545	532,219	51,674
Central	8,435	771	(7,664)
Non-instructional Services	970,905	1,111,671	140,766
Extracurricular Activities	356,094	379,380	23,286
Total Expenses	<u>10,457,061</u>	<u>11,342,476</u>	<u>885,415</u>
Increase (Decrease) in Net Assets	475,575	(302,570)	778,145
Net Assets at Beginning of Year	4,173,938	4,476,508	(302,570)
Net Assets at End of Year	<u>\$4,649,513</u>	<u>\$4,173,938</u>	<u>\$475,575</u>

Overall, program revenues increased slightly in fiscal year 2012. Charges for services increased from the implementation of pay-to-play fees for the School District's sport programs. The slight increase in operating grants, contributions, and interest is attributable to the decrease in revenues provided to the parochial school as a result of a decrease in student enrollment. In fiscal year 2011, capital grants and contributions included donations for sports equipment. The School District's program revenues include tuition and fees, charges for providing lunches to students, participation in school sports, transportation services to other school districts, and grants for specified purposes. The majority of general revenues consisted of property taxes and unrestricted grants and entitlements. Property tax revenues increased from fewer resources available for an advance as of prior fiscal year end. Grants and entitlements decreased with the elimination of the state fiscal stabilization funds and the reduction of State foundation revenues based upon the bridge formula.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

Overall, expenses had an 8 percent decrease. Costs for providing instruction were approximately 58 percent of total expenses. Regular instruction decreased from reducing the teaching staff by two elementary teachers, a high school computer applications teacher, and a part-time music teacher. Special instruction increased from hiring the multiple-disability teachers that were formerly contracted through the Allen County Educational Service Center that serve the elementary and high school students. Vocational instruction expenses decreased from eliminating the vocational satellite program with Vantage Career Center.

Support services includes costs associated with providing support to pupils and teachers, along with expenses relating to the administration, maintenance of buildings, and transportation of students. Significant decreases were noted in almost all support services. Costs for instructional staff support services decreased from the elimination of the Allen County Educational Service Center providing teachers for multiple-disabled students. Administration support services expenses decreased from the elimination of the safety service director position and the retirement of one principle that was not replaced. Fiscal support services expenses decreased from the transfer of an employee to another position within the School District. Operation and maintenance of plant support services costs decreased from the elimination of two custodial positions. Transportation support services expenses decreased from the elimination of the transportation supervisor. Non-instructional services consist of food services and of costs associated with Delphos St. Johns parochial school. The costs associated with the parochial school decreased significantly from replacing a teacher that retired with two tutors due to the decrease in State revenues supporting the school.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Instruction:</b>				
Regular	\$ 4,419,819	\$ 4,626,237	\$3,579,638	\$3,616,976
Special	1,266,322	1,146,833	337,574	354,757
Vocational	419,913	581,820	364,172	512,949
<b>Support Services:</b>				
Pupils	510,319	510,012	510,319	505,012
Instructional Staff	267,885	491,708	267,885	491,708
Board of Education	26,199	30,682	26,199	30,682
Administration	846,341	911,169	846,341	911,169
Fiscal	311,792	373,440	311,792	373,440
Operation and Maintenance of Plant	572,492	646,534	572,492	646,534
Pupil Transportation	480,545	532,219	407,166	473,405
Central	8,435	771	8,435	771
Non-instructional Services	970,905	1,111,671	(26,929)	137,145
Extracurricular Activities	356,094	379,380	128,402	256,818
<b>Total Expenses</b>	<b>\$10,457,061</b>	<b>\$11,342,476</b>	<b>\$7,333,486</b>	<b>\$8,311,366</b>

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

The School District provided for 65 percent of total instruction costs with property taxes and unrestricted grants and entitlements in fiscal year 2012. Several of the School District's programs receive substantial support through program revenues. For instance, special instruction received 73 percent of its funding through operating grants restricted to special education purposes. Non-instructional services were fully supported through user charges from cafeteria sales, state and federal subsidies, and donated commodities for food service. The School District also receives a large amount of operating grants for the number of students receiving their education through the parochial school which is reported within non-instructional services. Due to the implementation of pay-to-play fees, almost 64 percent of the School District's extracurricular activities costs were provided for through these fees, along with program revenues consisting of music and athletic fees, ticket sales, and gate receipts.

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the General Fund and the Permanent Improvement capital projects fund. The General Fund had a 66 percent increase in fund balance and the fund reflects a deficit balance again for fiscal year 2012. Revenues increased 2 percent (primarily due to the increase in property taxes and the implementation of pay-to-play fees for the sports programs as was discussed previously). Expenditures decreased by almost 3 percent from the budget cuts as was discussed previously.

The Permanent Improvement capital projects fund's property taxes were sufficient to cover the acquisition of assets.

**BUDGETARY HIGHLIGHTS**

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute. The School District's most significant budgeted fund is the General Fund. During fiscal year 2012, the School District amended its General Fund budget as needed.

For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. The same can be said for expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At June 30, 2012, the School District had \$4,116,768 invested in capital assets (net of accumulated depreciation). Additions and disposals were minimal. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

The School District's long-term obligations consisted of compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

**CURRENT ISSUES**

The School District is unique in that the public school has a population of 1,077 students and the parochial school within the School District has a population of approximately 650 students, also made up of resident students. The significant number of students attending the parochial school reduces the School District's basic funding. Therefore, the School District receives less State aid than other school districts with a similar student population.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

The School District and the Allen County Schools Health Benefit Plan have developed a plan of action in which just two insurance plans are offered. The Board offered a \$2,000 family and \$1,000 single contribution to health savings accounts to make both plans cost the Board about the same amount and to stabilize School District costs.

For fiscal year 2013, the five-year forecast for the General Fund reflects a slight increase in revenues from tuition and fees and State foundation that is offset by the reduction in the tangible personal property tax reimbursement. Expenditures for the General Fund decrease from the savings of the new health care plan adopted by the Board of Education that is partially offset by step pay increases per the employees' negotiated agreements.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Brad Rosterfer, Treasurer, 234 North Jefferson Street, Delphos, Ohio 45833.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,330,592
Accounts Receivable	3,321
Intergovernmental Receivable	184,479
Prepaid Items	20,860
Inventory Held for Resale	26,248
Materials and Supplies Inventory	17,173
Property Taxes Receivable	4,399,734
Payment in Lieu of Taxes Receivable	38,562
Non-depreciable Capital Assets	126,685
Depreciable Capital Assets, Net	3,990,083
Total Assets	10,137,737
<b>Liabilities:</b>	
Accrued Wages and Benefits Payable	652,481
Accounts Payable	30,903
Matured Compensated Absences Payable	34,059
Separation Benefits Payable	17,834
Intergovernmental Payable	222,967
Deferred Revenue	3,994,749
<b>Long-Term Liabilities:</b>	
Due Within One Year	5,080
Due in More Than One Year	530,151
Total Liabilities	5,488,224
<b>Net Assets:</b>	
Invested in Capital Assets	4,116,768
<b>Restricted for:</b>	
Capital Projects	747,149
Other Purposes	394,515
Unrestricted (Deficit)	(608,919)
Total Net Assets	\$4,649,513

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Change in Net Assets</b>
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants, Contributions, and Interest</b>	<b>Governmental Activities</b>	
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$4,419,819	\$699,890	\$140,291	(\$3,579,638)
Special	1,266,322	58,219	870,529	(337,574)
Vocational	419,913		55,741	(364,172)
<b>Support Services:</b>				
Pupils	510,319			(510,319)
Instructional Staff	267,885			(267,885)
Board of Education	26,199			(26,199)
Administration	846,341			(846,341)
Fiscal	311,792			(311,792)
Operation and Maintenance of Plant	572,492			(572,492)
Pupil Transportation Central	480,545 8,435	46,988	26,391	(407,166) (8,435)
Non-instructional Services	970,905	239,280	758,554	26,929
Extracurricular Activities	356,094	183,362	44,330	(128,402)
<b>Total Governmental Activities</b>	<b>\$10,457,061</b>	<b>\$1,227,739</b>	<b>\$1,895,836</b>	<b>(7,333,486)</b>
<b>General Revenues:</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				3,719,215
Permanent Improvements				218,552
Payment in Lieu of Taxes				38,562
Grants and Entitlements not Restricted to Specific Programs				3,769,418
Interest				15,251
Miscellaneous				48,063
<b>Total General Revenues</b>				<b>7,809,061</b>
Change in Net Assets				475,575
Net Assets at Beginning of Year				4,173,938
Net Assets at End of Year				<b>\$4,649,513</b>

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$295,717	\$724,178	\$310,697	\$1,330,592
Accounts Receivable	3,009		312	3,321
Intergovernmental Receivable	8,268		176,211	184,479
Interfund Receivable	379			379
Prepaid Items	19,954		906	20,860
Inventory Held for Resale	4,628		21,620	26,248
Materials and Supplies Inventory	12,983		4,190	17,173
Property Taxes Receivable	4,157,403	242,331		4,399,734
Payment in Lieu of Taxes Receivable	38,562			38,562
<b>Total Assets</b>	<u><u>4,540,903</u></u>	<u><u>966,509</u></u>	<u><u>513,936</u></u>	<u><u>6,021,348</u></u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accrued Wages and Benefits Payable	597,132		55,349	652,481
Accounts Payable	20,219	1,635	9,049	30,903
Matured Compensated Absences Payable	31,840		2,219	34,059
Intergovernmental Payable	191,263	19	31,685	222,967
Interfund Payable			379	379
Deferred Revenue	3,836,604	220,742	152,183	4,209,529
<b>Total Liabilities</b>	<u><u>4,677,058</u></u>	<u><u>222,396</u></u>	<u><u>250,864</u></u>	<u><u>5,150,318</u></u>
<b>Fund Balances:</b>				
Non-spendable	32,937		5,096	38,033
Restricted	4,628	744,113	262,665	1,011,406
Assigned	98,081			98,081
Unassigned (Deficit)	(271,801)		(4,689)	(276,490)
<b>Total Fund Balances (Deficit)</b>	<u><u>(136,155)</u></u>	<u><u>744,113</u></u>	<u><u>263,072</u></u>	<u><u>871,030</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$4,540,903</u></u>	<u><u>\$966,509</u></u>	<u><u>\$513,936</u></u>	<u><u>\$6,021,348</u></u>

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012**

Total Governmental Fund Balances		\$871,030
<b>Amounts reported for governmental activities on the statement of net assets are different because of the following:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,116,768
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	\$160,451	
Property Taxes Receivable	<u>54,329</u>	
		214,780
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences Payable	(535,231)	
Separation Benefits Payable	<u>(17,834)</u>	
		<u>(553,065)</u>
Net Assets of Governmental Activities		<u><u>\$4,649,513</u></u>

*See accompanying notes to the basic financial statements.*



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Revenues:</b>				
Property Taxes	\$3,715,496	\$218,338		\$3,933,834
Payment in Lieu of Taxes	38,562			38,562
Intergovernmental	4,031,664	73,976	\$1,441,251	5,546,891
Interest	16,427		2,855	19,282
Tuition and Fees	770,113			770,113
Charges for Services			239,430	239,430
Extracurricular Activities	122,534		95,662	218,196
Gifts and Donations	7,790		89,584	97,374
Miscellaneous	38,900	300	595	39,795
Total Revenues	<u>8,741,486</u>	<u>292,614</u>	<u>1,869,377</u>	<u>10,903,477</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,248,446		89,824	4,338,270
Special	737,456		481,245	1,218,701
Vocational	390,129		199	390,328
<b>Support Services:</b>				
Pupils	533,825		937	534,762
Instructional Staff	240,485		22,003	262,488
Board of Education	26,199			26,199
Administration	870,145		6,079	876,224
Fiscal	300,390	6,376	631	307,397
Operation and Maintenance of Plant	509,141	5,792	1,164	516,097
Pupil Transportation	438,021			438,021
Central	171		8,264	8,435
Non-instructional Services			935,748	935,748
Extracurricular Activities	181,942		152,678	334,620
Capital Outlay		266,857		266,857
Total Expenditures	<u>8,476,350</u>	<u>279,025</u>	<u>1,698,772</u>	<u>10,454,147</u>
Excess of Revenues Over Expenditures	265,136	13,589	170,605	449,330
<b>Other Financing Source:</b>				
Sale of Capital Assets		2,000		2,000
Changes in Fund Balances	265,136	15,589	170,605	451,330
Fund Balances (Deficit) at Beginning of Year	<u>(401,291)</u>	<u>728,524</u>	<u>92,467</u>	<u>419,700</u>
Fund Balances (Deficit) at End of Year	<u>(\$136,155)</u>	<u>\$744,113</u>	<u>\$263,072</u>	<u>\$871,030</u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Changes in Fund Balances - Total Governmental Funds		\$451,330
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>Governmental funds report capital outlays as expenditures. However, on 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 capital outlay exceeded depreciation in the current fiscal year:</p>		
Depreciable Capital Assets	\$216,382	
Depreciation	<u>(197,406)</u>	18,976
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets on the statement of activities resulting in a loss on the disposal of capital assets.</p>		
Proceeds from Sale of Capital Assets	(2,000)	
Loss on Disposal of Capital Assets	<u>(5,329)</u>	(7,329)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Property Taxes	3,933	
Intergovernmental	16,958	
Miscellaneous	<u>8,268</u>	29,159
<p>Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences Payable	(19,974)	
Separation Benefits Payable	<u>3,413</u>	<u>(16,561)</u>
Change in Net Assets of Governmental Activities		<u><u>\$475,575</u></u>

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property Taxes	\$3,833,844	\$3,833,844	\$3,831,038	(\$2,806)
Payment in Lieu of Taxes	38,000	38,000	38,562	562
Intergovernmental	3,814,231	3,814,231	4,031,664	217,433
Interest	25,900	25,900	16,962	(8,938)
Tuition and Fees	757,750	757,750	767,392	9,642
Extracurricular Activities	35,000	35,000	122,534	87,534
Gifts and Donations	9,100	9,100	7,790	(1,310)
Miscellaneous	192,417	203,417	43,342	(160,075)
<b>Total Revenues</b>	<b>8,706,242</b>	<b>8,717,242</b>	<b>8,859,284</b>	<b>142,042</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,893,781	3,877,781	3,697,405	180,376
Special	554,013	624,013	690,383	(66,370)
Vocational	155,228	155,228	157,243	(2,015)
Other	726,600	911,600	872,289	39,311
<b>Support Services:</b>				
Pupils	543,862	560,212	553,041	7,171
Instructional Staff	192,087	262,087	265,171	(3,084)
Board of Education	26,656	26,656	28,900	(2,244)
Administration	816,545	831,545	896,039	(64,494)
Fiscal	306,083	306,083	300,307	5,776
Operation and Maintenance of Plant	492,933	504,933	539,454	(34,521)
Pupil Transportation	431,313	442,582	446,661	(4,079)
Central	258	258	171	87
Extracurricular Activities	188,394	190,934	189,393	1,541
<b>Total Expenditures</b>	<b>8,327,753</b>	<b>8,693,912</b>	<b>8,636,457</b>	<b>57,455</b>
Changes in Fund Balance	378,489	23,330	222,827	199,497
Fund Balance (Deficit) at Beginning of Year	(21,195)	(21,195)	(21,195)	
Prior Year Encumbrances Appropriated	52,759	52,759	52,759	
<b>Fund Balance at End of Year</b>	<b>\$410,053</b>	<b>\$54,894</b>	<b>\$254,391</b>	<b>\$199,497</b>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$5,000</u>	<u>\$40,799</u>
<b>Liabilities:</b>		
Undistributed Assets		5
Due to Students		<u>40,794</u>
Total Liabilities		<u>\$40,799</u>
<b>Net Assets:</b>		
Held in Trust for Students	<u>\$5,000</u>	

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Additions:</b>	
Gifts and Donations	\$3,000
<b>Deductions:</b>	
Non-instructional Services	<u>3,500</u>
Change in Net Assets	(500)
Net Assets at Beginning of Year	<u>5,500</u>
Net Assets at End of Year	<u><u>\$5,000</u></u>

*See accompanying notes to the basic financial statements.*

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**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Delphos City School District (School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1862. The School District serves an area of approximately fifty-three square miles. It is located in Allen and Van Wert Counties, and includes all of the City of Delphos and portions of Marion and Washington Townships. The School District is the 440th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-two classified employees, seventy-three certified teaching personnel, and seven administrative employees who provide services to 1,077 students and other community members. The School District currently operates four instructional buildings, two bus garages, and one administrative building.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Delphos City School District, this includes general operations, food service, and student related activities of the School District.

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 board 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 that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. As of June 30, 2012, there were no component units of the Delphos City School District.

The following activity is included within the reporting entity:

**Parochial School** - Within the School District boundaries, Delphos St. Johns School is operated through the Toledo Catholic Diocese. Current State legislation provides funding to the parochial school. The money is received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity is reflected in a special revenue fund of the School District for financial reporting purposes.

The School District participates in two jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, Ohio School Plan, Allen County Schools Health Benefit Plan, Ohio Schools Council Workers' Compensation Group Rating Plan, and the Delphos Community Public Library. These organizations are presented in Notes 18, 19, and 20 to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Delphos 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 governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial 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.

**1. 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The 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, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are 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.

**2. Fund Financial Statements**

During the fiscal 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses 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 School District's major funds are the General Fund and the Permanent Improvement capital projects fund.

**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 balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Permanent Improvement Fund** - The Permanent Improvement capital projects fund accounts for property tax revenues restricted to acquiring, constructing, or improving of permanent improvements.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

**2. 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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various non-instructional faculty-related and student-managed activities.

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of 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. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. 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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of 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; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**1. Revenues - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected 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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the 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 fiscal 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Deferred Revenues**

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

Property taxes for which there was an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, are 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 are reported as deferred revenue.

**3. Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget (five-year forecast), the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative 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 appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the object level for the General Fund and Permanent Improvement capital projects fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function level within the General Fund and Permanent Improvement capital projects fund and the function and object level in all other funds are made by the Treasurer.

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

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 was \$16,427, which includes \$11,559 assigned from other School District funds.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

**I. Capital Assets**

All of the School District's capital assets are general capital assets resulting generally from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land, 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>Useful Lives</u>
Land Improvements	5 - 30 years
Buildings and Building Improvements	30 - 100 years
Improvements Other Than Buildings	30 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	15 years

**J. Interfund Receivables/Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave 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 unused sick leave for all employees after fifteen years of service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Fund Balance**

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

**Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**3. ACCOUNTABILITY**

At June 30, 2011, the General Fund and the IDEA B and Title II-A special revenue funds had deficit fund balances of \$136,155, \$4,647, and \$42, respectively, resulting from adjustments for accrued liabilities.



**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. 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 for the 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 the 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 liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

<b>Changes in Fund Balance</b>	
GAAP Basis	\$265,136
<b>Increase (Decrease) Due To:</b>	
<b>Revenue Accruals:</b>	
Accrued FY 2011, Received in Cash FY 2012	487,901
Accrued FY 2012, Not Yet Received in Cash	(370,638)
<b>Expenditure Accruals:</b>	
Accrued FY 2011, Paid in Cash FY 2012	(960,457)
Accrued FY 2012, Not Yet Paid in Cash	840,454
Cash on Hand at Beginning of Year	1,383
Cash on Hand at End of Year	(848)
Prepaid Items	(2,746)
Inventory Held for Resale	238
Materials and Supplies Inventory	3,261
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(40,857)</u>
Budget Basis	<u><u>\$222,827</u></u>

**5. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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



**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**6. RECEIVABLES**

Receivables at June 30, 2012, consisted of accounts (student fees and billings for user charged services), intergovernmental, interfund, property taxes, and payment in lieu of taxes receivable. 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 year guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
<b>Governmental Activities:</b>	
<b>General Fund:</b>	
School Employees Retirement System	\$ 8,268
<b>Other Governmental Funds:</b>	
Race to the Top	37,547
Title I	138,191
Title II-A	473
Total Other Governmental Funds	176,211
Total Intergovernmental Receivables	\$184,479

**7. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Allen and Van Wert Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2012, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$367,629 in the General Fund and \$21,589 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$483,171 in the General Fund and \$28,348 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2012 taxes were collected are:

	<b>2011 Second- Half Collections</b>		<b>2012 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real	\$164,102,540	97.37%	\$167,978,850	97.33%
Public Utility	4,436,070	2.63	4,605,950	2.67
Total Assessed Value	<u>\$168,538,610</u>	<u>100.00%</u>	<u>\$172,584,800</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.40		\$47.40	

**8. PAYMENT IN LIEU OF TAXES**

According to State law, Allen and Van Wert Counties have entered into agreements with two property owners under which the counties have granted property tax exemptions to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements provide for a portion of these payments to be made to the School District. The agreements are for a ten year period. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<b>Balance at 6/30/11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/12</b>
<b>Governmental Activities:</b>				
<b>Non-depreciable Capital Assets:</b>				
Land	\$ 126,685			\$ 126,685
<b>Depreciable Capital Assets:</b>				
Land Improvements	1,406,822			1,406,822
Buildings and Building Improvements	4,277,815	\$150,359		4,428,174
Improvements Other Than Buildings	20,930			20,930
Furniture, Fixtures, and Equipment	1,789,508	44,323	(\$4,864)	1,828,967
Vehicles	836,337	21,700	(64,320)	793,717
Total Depreciable Capital Assets	<u>8,331,412</u>	<u>216,382</u>	<u>(69,184)</u>	<u>8,478,610</u>

(Continued)

**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>
<b>Governmental Activities: (Continued)</b>				
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(1,038,817)	(20,471)		(1,059,288)
Buildings and Building Improvements	(1,657,489)	(55,876)		(1,713,365)
Improvements Other Than Buildings	(6,279)	(698)		(6,977)
Furniture, Fixtures, and Equipment	(1,189,350)	(68,984)	3,967	(1,254,367)
Vehicles	(461,041)	(51,377)	57,888	(454,530)
Total Accumulated Depreciation	<u>(4,352,976)</u>	<u>(197,406)</u>	<u>61,855</u>	<u>(4,488,527)</u>
Depreciable Capital Assets, Net	3,978,436	18,976	(7,329)	3,990,083
Governmental Activities Capital Assets, Net	<u>\$4,105,121</u>	<u>\$ 18,976</u>	<u>(\$7,329)</u>	<u>\$4,116,768</u>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$ 63,093
Special	5,117
Vocational	2,637
<b>Support Services:</b>	
Pupils	1,876
Instructional Staff	5,397
Administration	8,985
Fiscal	2,251
Operation and Maintenance of Plant	12,273
Pupil Transportation	51,877
Non-instructional Services	5,450
Extracurricular Activities	38,450
Total Depreciation Expense	<u>\$197,406</u>

**10. INTERFUND BALANCES**

At June 30, 2012, the General Fund had an interfund receivable, in the amount of \$379, from providing cash flow resources to other governmental funds.

**11. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2012, the School District contracted for the following insurance coverage.

Coverage purchased through the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$4,000,000
Aggregate	6,000,000
Building and Contents	33,688,618
Automobile Liability	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

For fiscal year 2012, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Allen County Schools Health Benefit Plan (Plan), a public entity shared risk pool consisting of ten school districts and the Allen County Educational Service Center. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program and the payment of claims. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School District participates in the Ohio Schools Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**12. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

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

**Funding Policy** - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$457,408 and \$7,188 for the fiscal year ended June 30, 2012, \$552,382 and \$7,279 for the fiscal year ended June 30, 2011, and \$558,361 and \$6,860 for the fiscal year ended June 30, 2010. For fiscal year 2012, 81 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$299 made by the School District and \$214 made by the plan members. In addition, member contributions of \$5,134 were made for fiscal year 2012 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

**Plan Description** - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 stand-alone financial report that can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$116,425, \$120,982, and \$132,102, respectively. For fiscal year 2012, 36 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2012, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

**Plan Description** - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Funding Policy** - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$35,761, \$43,103, and \$43,595, respectively. For fiscal year 2012, 81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**B. School Employees Retirement System**

**Plan Description** - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$13,809 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$5,042, \$14,649, and \$4,755, respectively. For fiscal year 2012, 36 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$6,875, \$7,785, and \$7,856, respectively. For fiscal year 2012, 36 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**14. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Twelve month employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and the superintendent upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred thirty-five days for all personnel. Upon retirement, payment is made for 25 percent of accrued but unused sick leave credit to a maximum of fifty days for all employees.

**B. Health Care Benefits**

The School District offers employee medical and dental benefits through the Allen County Schools Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on the terms of the union contract. The School District provides life insurance and accidental death and dismemberment insurance to most employees through American United Life Insurance Company. The School District provides vision insurance through Vision Service Plan.

**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**14. OTHER EMPLOYEE BENEFITS (Continued)**

**C. Separation Benefits**

The School District provides a separation benefit to eligible certified and classified employees. An employee with ten years of service with the School District and with less than 30.99 years of service who elects to retire after the close of the school year in which they initially become eligible for retirement under the pension eligibility criteria will be paid an amount equal to the sick leave severance. Equal payments are made on July 15 and January 15 of the subsequent fiscal year as well as the following July 15.

**15. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>General Long-Term Obligations:</b>					
Compensated Absences Payable	<u>\$515,257</u>	<u>\$124,600</u>	<u>\$104,626</u>	<u>\$535,231</u>	<u>\$5,080</u>

Compensated absences will be paid from the General Fund and the Food Service, Auxiliary Services, and Title I special revenue funds.

The School District's overall debt margin was \$15,119,726 with an unvoted debt margin of \$167,997 at June 30, 2012.

**16. FUND BALANCE**

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Non-spendable for:</b>				
Materials and Supplies Inventory	\$ 12,983		\$ 4,190	\$17,173
Prepaid Items	19,954		906	20,860
Total Non-spendable	<u>32,937</u>		<u>5,096</u>	<u>38,033</u>

(Continued)



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**16. FUND BALANCE (Continued)**

<b>Fund Balance</b>	<b>General</b>	<b>Permanent Improvement</b>	<b>Other Governmental</b>	<b>Total Governmental Funds</b>
<b>Non-spendable for: (Continued)</b>				
<b>Restricted for:</b>				
Athletics and Music			56,499	56,499
Capital Improvements		\$744,113		744,113
Lunchroom			58,090	58,090
Non-Public Schools			90,419	90,419
Network Connectivity			4,429	4,429
Regular Instruction	4,628		36,633	41,261
Special Instruction			16,595	16,595
<b>Total Restricted</b>	<u>4,628</u>	<u>744,113</u>	<u>262,665</u>	<u>1,011,406</u>
<b>Assigned for:</b>				
Extracurricular Activities	65,223			65,223
Unpaid Obligations	32,858			32,858
<b>Total Assigned</b>	<u>98,081</u>			<u>98,081</u>
Unassigned (Deficit)	<u>(271,801)</u>		<u>(4,689)</u>	<u>(276,490)</u>
<b>Total Fund Balance (Deficit)</b>	<u>(\$136,155)</u>	<u>\$744,113</u>	<u>\$263,072</u>	<u>\$ 871,030</u>

**17. SET ASIDES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

	<u><b>Capital Improvements</b></u>
Balance June 30, 2011	
Current Year Set Aside Requirement	\$191,550
Current Year Offsets	(191,550)
<b>Balance June 30, 2012</b>	<u>\$ 0</u>

**18. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. 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 educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2012, the School District paid \$24,456 to NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Vantage Joint Vocational School**

The Vantage Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the twelve participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Vantage Joint Vocational School, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

**19. INSURANCE POOLS**

**A. Ohio School Plan**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from the Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**B. Allen County Schools Health Benefit Plan**

The School District participates in the Allen County Schools Health Benefit Plan (Plan), a public entity shared risk pool consisting of the school districts within Allen County and the Allen County Educational Service Center. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Directors which advises the Trustee, Allen County Educational Service Center, concerning aspects of the administration of the Plan.

Each school district decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from the Allen County Educational Service Center, 1920 Slabtown Road Lima, Ohio 45801.

**C. Ohio Schools Council Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Schools Council Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Schools Council (OSC) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a nine member Board of Directors consisting of superintendents from the member districts. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**20. RELATED ORGANIZATION**

The Delphos Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Delphos City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Delphos Community Public Library, 309 West Second Street, Delphos, Ohio 45833.

**21. CONTINGENCIES**

**A. 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non Cash Receipts</b>	<b>Expenditures</b>	<b>Non Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
(Passed through Ohio Department of Education)					
<b>Child Nutrition Cluster:</b>					
Non -Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$34,318		\$34,318
Cash Assistance:					
School Breakfast Program	10.553	\$24,300		\$24,300	
National School Lunch Program	10.555	217,647		217,647	
Total Cash Assistance		<u>241,947</u>		<u>241,947</u>	
Total Child Nutrition Cluster		<u>241,947</u>	<u>34,318</u>	<u>241,947</u>	<u>34,318</u>
Total U.S. Department of Agriculture		241,947	34,318	241,947	34,318
<b>U.S. DEPARTMENT OF EDUCATION</b>					
(Passed through Ohio Department of Education)					
Title 1					
Title I Grants to Local Educational Agencies	84.010	259,197		247,529	
School Improvement Sub. A Title 1	84.010	500		500	
Total Title I		<u>259,697</u>		<u>248,029</u>	
Special Education Grants to States	84.027	335,930		322,367	
Education Technology State Grants	84.318	1,063		295	
Improving Teacher Quality State Grants	84.367	33,949		33,949	
<b>ARRA State Fiscal Stabilization Fund (SFSF)</b>					
Race to the Top Incentive Grants, Recovery Act	84.395	19,310		22,162	
Education Jobs Grant	84.410	4,698		4,698	
Total U.S. Department of Education		<u>654,647</u>		<u>631,500</u>	
Total Federal Assistance		<u>\$896,594</u>	<u>\$34,318</u>	<u>\$873,447</u>	<u>\$34,318</u>

See accompanying notes to the schedule of federal awards receipts and expenditures.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

Delphos City School District  
Allen County  
234 North Jefferson Street  
Delphos, Ohio 45833

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 Delphos City School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 18, 2013. 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 School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

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

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

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

**Dave Yost**  
Auditor of State

March 18, 2013





# Dave Yost • Auditor of State

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

Delphos City School District  
Allen County  
234 North Jefferson Street  
Delphos, Ohio 45833

To the Board of Education:

### Compliance

We have audited the compliance of Delphos City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Delphos City School District's major federal programs for the fiscal year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the School District's major federal programs. The School 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 opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these 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 School District's compliance with these requirements.

As described in finding 2012-01 in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding allowable costs/cost principles applicable to its Title I Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Delphos City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-01 to be a material weakness.

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

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



**Dave Yost**  
Auditor of State

March 18, 2013

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified:</b> Nutrition Cluster CFDA#10.553 and 10.555  <b>Qualified:</b> Title I CFDA#84.010
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster CFDA#10.553 and 10.555 Title I CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	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**

<b>Finding Number</b>	2012-001
<b>CFDA Title and Number</b>	Title I CFDA#84.010
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Allowable Costs / Cost Principals**

**Non-Compliance Citation / Questioned Costs / Material Weakness**

**2 C.F.R. Part 225 (A-87) Appendix B, Part 8g** states that: (1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by law, employer-employee agreement, or established written policy; (2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost; (3) Abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant Federal agency.

In July 2011, the School District issued a severance payment, in the amount of \$18,276 to a retiring employee, from the Title I Grants to Local Educational Agencies (CFDA #84.010) federal grant fund. Although this employee's wages and benefits had previously been 100% funded by this grant, the severance payment was not allocated as part of an indirect cost and is not an allowable expenditure from this grant. As a result, there are questioned costs in the amount of \$18,276.

The School District should provide training and resources to help assure compliance with federal grant requirements. In addition, consideration should be given to the development of an indirect cost allocation plan.

**OFFICIAL'S RESPONSE:** Refer to the Corrective Action Plan on page 50.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	<b>Ohio Rev. Code Section 5705.10 (H)</b> permanent improvement levy funds used to purchase textbooks	Yes	

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE30, 2012**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2012-01	<p>The issue of payment of severance from a federal program, in this case Title I, had not occurred previously in my career. For most of my career this retiree was the only person being paid with federal monies in our district. I was unaware of the necessity of severance being paid as an indirect cost in order to be paid from federal monies. I do not think setting up an indirect cost allocation plan is financially feasible for our district. We will not make these payments in the future from the grant but rather from the general fund, or if implemented an 035 severance fund. Being the designated keeper of federal grants along with my duties as Treasurer, I will attempt to get training for both myself and my federal grant secretary to help assure compliance with federal requirements.</p>	<p>Immediate ceasing of this practice</p>	<p>Brad Rostorfer</p>



# Dave Yost • Auditor of State

**DELPHOS CITY SCHOOL DISTRICT**

**ALLEN 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  
APRIL 23, 2013**