



Dave Yost • Auditor of State



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delphos City School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Delphos City School District, Allen County , Ohio, as of June 30, 2017 and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 22, 2018

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**Delphos City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

The discussion and analysis of Delphos City School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2017. 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 position 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 position and the statement of activities reflect how the School District did financially during fiscal year 2017. 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 position and change in net position. This change in net position 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 position 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, noninstructional 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**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

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 position for fiscal year 2017 and fiscal year 2016.

Table 1  
Net Position

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2017</u>	<u>2016</u>	
<u>Assets</u>			
Current and Other Assets	\$7,042,089	\$7,653,606	(\$611,517)
Capital Assets, Net	5,488,682	4,550,924	937,758
Total Assets	<u>12,530,771</u>	<u>12,204,530</u>	<u>326,241</u>
<u>Deferred Outflows of Resources</u>			
Pension	<u>3,077,106</u>	<u>1,571,090</u>	<u>1,506,016</u>
<u>Liabilities</u>			
Current and Other Liabilities	1,097,817	1,155,961	58,144
Long-Term Liabilities			
Pension	16,375,049	13,663,863	(2,711,186)
Other Amounts	674,016	589,615	(84,401)
Total Liabilities	<u>18,146,882</u>	<u>15,409,439</u>	<u>(2,737,443)</u>

(continued)

**Delphos City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

Table 1  
Net Position  
(continued)

	Governmental Activities		Change
	2017	2016	
<u>Deferred Inflows of Resources</u>			
Pension	\$227,246	\$916,395	\$689,149
Other Amounts	4,239,153	3,849,888	(389,265)
Total Deferred Inflows of Resources	<u>4,466,399</u>	<u>4,766,283</u>	<u>299,884</u>
<u>Net Position</u>			
Net Investment in Capital Assets	5,472,670	4,550,924	921,746
Restricted	445,575	1,560,216	(1,114,641)
Unrestricted (Deficit)	(12,923,649)	(12,511,242)	(412,407)
Total Net Position (Deficit)	<u>(\$7,005,404)</u>	<u>(\$6,400,102)</u>	<u>(\$605,302)</u>

The net pension liability reported by the School District at June 30, 2017, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

**Delphos City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the School District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

Pension related changes noted in the above table reflect a significant increase in deferred outflows and decrease in deferred inflows related to changes in projected and actual earnings on investments related to the net pension liability. The increase in the net pension liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

The decrease in current and other assets is largely due to a decrease in intergovernmental receivables. In the prior fiscal year, the School District had a large outstanding receivable related to the Straight A grant. The increase in net capital assets and the investment in capital assets represents capital asset additions for fiscal year 2017; the School District made these acquisitions without issuing debt. The increase in other long-term liabilities reflects an increase in the compensated absences liability (those employees meeting severance payment eligibility).

**Delphos City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

Table 2 reflects the change in net position for fiscal year 2017 and fiscal year 2016.

Table 2  
Change in Net Position

	Governmental Activities		Change
	2017	2016	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,060,823	\$1,033,199	\$27,624
Operating Grants, Contributions, and Interest	2,078,755	3,032,805	(954,050)
Total Program Revenues	3,139,578	4,066,004	(926,426)
General Revenues			
Property Taxes	4,452,817	4,539,094	(86,277)
Grants and Entitlements not Restricted to Specific Programs	4,325,152	4,535,319	(210,167)
Interest	3,233	2,904	329
Gifts and Donations	20,956	9,429	11,527
Miscellaneous	127,835	79,109	48,726
Total General Revenues	8,929,993	9,165,855	(235,862)
Total Revenues	12,069,571	13,231,859	(1,162,288)
<u>Expenses</u>			
Instruction:			
Regular	5,541,146	5,456,136	(85,010)
Special	1,689,800	1,486,639	(203,161)
Vocational	609,167	557,590	(51,577)
Support Services:			
Pupils	622,441	590,255	(32,186)
Instructional Staff	133,822	76,921	(56,901)
Board of Education	48,655	43,841	(4,814)
Administration	1,087,935	910,656	(177,279)
Fiscal	333,157	293,286	(39,871)
Business	0	100	100
Operation and Maintenance of Plant	647,519	524,864	(122,655)
Pupil Transportation	453,407	403,828	(49,579)
Central	29,372	44,050	14,678
Noninstructional Services	1,117,282	913,573	(203,709)
Extracurricular Activities	361,170	391,190	30,020
Total Expenses	12,674,873	11,692,929	(981,944)
Increase (Decrease) in Net Position	(605,302)	1,538,930	(2,144,232)
Net Position (Deficit) at Beginning of Year	(6,400,102)	(7,939,032)	1,538,930
Net Position (Deficit) at End of Year	(\$7,005,404)	(\$6,400,102)	(\$605,302)

**Delphos City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

Program revenues decreased 23 percent from the prior fiscal year. 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. Total general revenues did not change significantly from fiscal year 2016.

Expenses increased 8 percent with increases reflected in most programs. Salary and benefit increases contributed to this increase as well as the increase related to the net pension liability.

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

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction:				
Regular	\$5,541,146	\$5,456,136	\$4,811,400	\$3,743,726
Special	1,689,800	1,486,639	596,656	506,626
Vocational	609,167	557,590	519,138	469,414
Support Services:				
Pupils	622,441	590,255	622,441	590,255
Instructional Staff	133,822	76,921	133,822	76,921
Board of Education	48,655	43,841	48,655	43,841
Administration	1,087,935	910,656	1,087,935	910,656
Fiscal	333,157	293,286	333,157	293,286
Business	0	100	0	100
Operation and Maintenance of Plant	647,519	524,864	647,519	524,864
Pupil Transportation	453,407	403,828	404,358	355,372
Central	29,372	44,050	29,372	44,050
Noninstructional Services	1,117,282	913,573	109,362	(83,220)
Extracurricular Activities	361,170	391,190	191,480	151,034
Total Expenses	\$12,674,873	\$11,692,929	\$9,535,295	\$7,626,925

**Delphos City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

The School District provided for 76 percent of total instruction costs with property taxes and unrestricted grants and entitlements in fiscal year 2017. Several of the School District's programs receive substantial support through program revenues. For instance, special instruction received 65 percent of its funding through grants and charges for services restricted to special education purposes. Over 90 percent of the noninstructional services program was 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 noninstructional services. Approximately 47 percent of the School District's extracurricular activities costs were provided for primarily through revenues such as participation 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.

Fund balance increased 17 percent in the General Fund despite a slight decrease in revenues (approximately \$138,000) and an increase in expenditures (approximately \$231,000). Overall revenues exceeded expenditures by approximately \$172,000.

Fund balance decreased in the Permanent Improvement capital projects fund as resources were used for capital expenditures during the year.

**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 2017, the School District amended its General Fund budget as needed.

For revenues, changes from the original budget to the final budget and changes from the final budget to actual revenues were not significant. For expenditures, there was little change from the original budget to the final budget. Actual expenditures were almost 5 percent lower than budgeted amounts due to conservative budgeting, primarily in the instructional programs.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At June 30, 2017, the School District had \$5,488,682 invested in capital assets (net of accumulated depreciation). Significant additions included a career connections student center, a solar panel field, and two buses. Three buses were disposed. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt - The School District's long-term obligations consisted of compensated absences and the net pension liability. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

**Delphos City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

**CURRENT ISSUES**

The School District is unique in that the public school has a population of 1,003 students and the parochial school within the School District has a population of 611 students, made up of approximately 500 resident students. The significant number of students attending the parochial school reduces the School District's basic funding under the State funding formula.

The School District will not be benefitting from the new State funding formula calculation introduced in the 2018-2019 biennial State budget. The School District is projected to lose around \$150,000 net between the new formula and the reduction of the tangible personal property reimbursement. With a loss of enrollment, the School District is no longer capped and is currently receiving funds as per the new State formula.

For fiscal year 2018, the five-year forecast for the General Fund reflects an expected narrowing of the excess of revenues over expenditures. Fiscal year 2017 was the 7<sup>th</sup> year in a row where no deficit spending occurred. The School District will look to try and break even or add to the bottom line in fiscal year 2018. Expenditures for the General Fund will increase due to purchased services costs that are expected to increase for special education tuition and scholarships.

The School District is expanding services in the in-house Delphos Digital Academy to improve and increase the services available to not only at-risk students, but also I.E.P. (individualized education program) and regular education students. This comes with an increase in service costs but it is also expected to reduce purchased services and outside tuition, produce new tuition revenues, or both.

The School District began a State assessment process of the buildings and facilities in 2017 which will produce a State report on the feasibility of improving the current facilities or suggesting the replacement of facilities. The current facilities are the Delphos Jefferson High School built in 1969 along with the 2017 Career Center and the Franklin Elementary building built in 1961 which houses approximately 75 percent of the elementary students. The other 25 percent of elementary students are in the Landeck Elementary building which is leased from the St. John's Church; it was built in 1916. Finally, Delphos Jefferson Middle School houses grades 6-8 and was built in 1912. To receive the State assessment, the School District has committed to running a facility improvement levy in calendar year 2019.

**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 Rostorfer, Treasurer, 234 North Jefferson Street, Delphos, Ohio 45833.



**Delphos City School District**

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$1,916,341
Accounts Receivable	6,010
Intergovernmental Receivable	147,617
Prepaid Items	31,892
Inventory Held for Resale	7,742
Materials and Supplies Inventory	28,427
Property Taxes Receivable	4,904,060
Nondepreciable Capital Assets	145,248
Depreciable Capital Assets, Net	<u>5,343,434</u>
 Total Assets	 <u>12,530,771</u>
<b><u>Deferred Outflows of Resources</u></b>	
Pension	<u>3,077,106</u>
<b><u>Liabilities</u></b>	
Accrued Wages and Benefits Payable	795,760
Accounts Payable	62,345
Contracts Payable	18,882
Matured Compensated Absences Payable	1,193
Separation Benefits Payable	1,193
Intergovernmental Payable	218,444
Long-Term Liabilities	
Due Within One Year	19,176
Due in More Than One Year	
Net Pension Liability	16,375,049
Other Amounts Due in More Than One Year	<u>654,840</u>
 Total Liabilities	 <u>18,146,882</u>
<b><u>Deferred Inflows of Resources</u></b>	
Property Taxes	4,239,153
Pension	<u>227,246</u>
 Total Deferred Inflows of Resources	 <u>4,466,399</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	
Restricted for:	5,472,670
Capital Projects	162,964
Food Service	164,702
Other Purposes	117,909
Unrestricted (Deficit)	<u>(12,923,649)</u>
 Total Net Position (Deficit)	 <u><u>(\$7,005,404)</u></u>

See accompanying notes to the basic financial statements

**Delphos City School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<b><u>Governmental Activities</u></b>				
Instruction:				
Regular	\$5,541,146	\$627,545	\$102,201	(\$4,811,400)
Special	1,689,800	87,378	1,005,766	(596,656)
Vocational	609,167	0	90,029	(519,138)
Support Services:				
Pupils	622,441	0	0	(622,441)
Instructional Staff	133,822	0	0	(133,822)
Board of Education	48,655	0	0	(48,655)
Administration	1,087,935	0	0	(1,087,935)
Fiscal	333,157	0	0	(333,157)
Operation and Maintenance				
of Plant	647,519	0	0	(647,519)
Pupil Transportation	453,407	26,058	22,991	(404,358)
Central	29,372	0	0	(29,372)
Noninstructional Services	1,117,282	189,934	817,986	(109,362)
Extracurricular Activities	361,170	129,908	39,782	(191,480)
Total Governmental Activities	<u>\$12,674,873</u>	<u>\$1,060,823</u>	<u>\$2,078,755</u>	<u>(9,535,295)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	4,195,837
Permanent Improvements	256,980
Grants and Entitlements not Restricted to Specific Programs	4,325,152
Interest	3,233
Gifts and Donations	20,956
Miscellaneous	<u>127,835</u>
Total General Revenues	<u>8,929,993</u>
Change in Net Position	(605,302)
Net Position (Deficit) at Beginning of Year	<u>(6,400,102)</u>
Net Position (Deficit) at End of Year	<u><u>(\$7,005,404)</u></u>

See accompanying notes to the basic financial statements

**Delphos City School District**

Balance Sheet

Governmental Funds

June 30, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$1,429,052	\$134,955	\$352,334	\$1,916,341
Accounts Receivable	5,299	0	711	6,010
Interfund Receivable	66,801	0	0	66,801
Intergovernmental Receivable	18,326	0	129,291	147,617
Prepaid Items	23,370	0	8,522	31,892
Inventory Held for Resale	0	0	7,742	7,742
Materials and Supplies Inventory	25,356	0	3,071	28,427
Property Taxes Receivable	4,638,221	265,839	0	4,904,060
Total Assets	<u>\$6,206,425</u>	<u>\$400,794</u>	<u>\$501,671</u>	<u>\$7,108,890</u>
<b><u>Liabilities</u></b>				
Accrued Wages and Benefits Payable	\$739,661	\$0	\$56,099	\$795,760
Accounts Payable	42,688	10,519	9,138	62,345
Contracts Payable	0	18,882	0	18,882
Matured Compensated Absences Payable	0	0	1,193	1,193
Interfund Payable	0	0	66,801	66,801
Intergovernmental Payable	197,720	0	20,724	218,444
Total Liabilities	<u>980,069</u>	<u>29,401</u>	<u>153,955</u>	<u>1,163,425</u>
<b><u>Deferred Inflows of Resources</u></b>				
Property Taxes	4,014,712	224,441	0	4,239,153
Unavailable Revenue	34,436	2,016	9,702	46,154
Total Deferred Inflows of Resources	<u>4,049,148</u>	<u>226,457</u>	<u>9,702</u>	<u>4,285,307</u>
<b><u>Fund Balances</u></b>				
Nonspendable	48,726	0	11,593	60,319
Restricted	0	144,936	326,544	471,480
Assigned	105,805	0	0	105,805
Unassigned (Deficit)	1,022,677	0	(123)	1,022,554
Total Fund Balances	<u>1,177,208</u>	<u>144,936</u>	<u>338,014</u>	<u>1,660,158</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$6,206,425</u>	<u>\$400,794</u>	<u>\$501,671</u>	<u>\$7,108,890</u>

See accompanying notes to the basic financial statements

**Delphos City School District**  
 Reconciliation of Total Governmental Fund Balances  
 to Net Position of Governmental Activities  
 June 30, 2017

Total Governmental Fund Balances	\$1,660,158
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**Amounts reported for governmental activities on the statement of net position are different because of the following:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,488,682
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	
Intergovernmental Receivable	9,702
Delinquent Property Taxes Receivable	36,452
	46,154

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated Absences Payable	(674,016)
Separation Benefits Payable	(1,193)
	(675,209)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.	
Deferred Outflows - Pension	3,077,106
Deferred Inflows - Pension	(227,246)
Net Pension Liability	(16,375,049)
	(13,525,189)

Net Position (Deficit) of Governmental Activities	(\$7,005,404)
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See accompanying notes to the basic financial statements

**Delphos City School District**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2017

	General	Permanent Improvement	Other Governmental	Total
<b><u>Revenues</u></b>				
Property Taxes	\$4,212,324	\$247,887	\$0	\$4,460,211
Intergovernmental	4,908,466	30,079	2,316,689	7,255,234
Interest	3,233	0	769	4,002
Tuition and Fees	738,481	0	0	738,481
Charges for Services	0	0	192,434	192,434
Extracurricular Activities	23,930	0	105,978	129,908
Gifts and Donations	19,616	1,340	101,594	122,550
Miscellaneous	122,347	0	5,488	127,835
<b>Total Revenues</b>	<b>10,028,397</b>	<b>279,306</b>	<b>2,722,952</b>	<b>13,030,655</b>
<b><u>Expenditures</u></b>				
Current:				
Instruction:				
Regular	4,748,047	0	1,115,396	5,863,443
Special	1,400,564	0	249,099	1,649,663
Vocational	595,426	0	0	595,426
Support Services:				
Pupils	587,565	0	15,637	603,202
Instructional Staff	94,012	0	29,797	123,809
Board of Education	43,847	0	0	43,847
Administration	927,084	0	20,245	947,329
Fiscal	308,396	7,259	0	315,655
Operation and Maintenance of Plant	568,112	0	40,291	608,403
Pupil Transportation	393,841	0	0	393,841
Central	2,228	0	27,144	29,372
Noninstructional Services	0	0	1,182,567	1,182,567
Extracurricular Activities	187,211	0	144,153	331,364
Capital Outlay	0	344,042	0	344,042
<b>Total Expenditures</b>	<b>9,856,333</b>	<b>351,301</b>	<b>2,824,329</b>	<b>13,031,963</b>
Changes in Fund Balances	172,064	(71,995)	(101,377)	(1,308)
Fund Balances at Beginning of Year	1,005,144	216,931	439,391	1,661,466
Fund Balances at End of Year	<u>\$1,177,208</u>	<u>\$144,936</u>	<u>\$338,014</u>	<u>\$1,660,158</u>

See accompanying notes to the basic financial statements

**Delphos City School District**  
 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, 2017

Changes in Fund Balances - Total Governmental Funds (\$1,308)

**Amounts reported for governmental activities on the statement of activities are different because of the following:**

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.

Nondepreciable Capital Assets	18,563	
Depreciable Capital Assets	1,193,459	
Depreciation	<u>(261,128)</u>	950,894

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (13,136)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Delinquent Property Taxes	(7,394)	
Intergovernmental	<u>(953,690)</u>	(961,084)

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.

Compensated Absences Payable	(84,401)	
Separation Benefits Payable	<u>19,754</u>	(64,647)

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities. (1,288,591)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows. 772,570

Change in Net Position of Governmental Activities (\$605,302)

See accompanying notes to the basic financial statements

**Delphos City School District**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>Revenues</u></b>				
Property Taxes	\$4,277,330	\$4,277,330	\$4,389,669	\$112,339
Intergovernmental	5,264,049	5,264,049	4,904,773	(359,276)
Interest	3,115	3,115	3,219	104
Tuition and Fees	661,500	661,500	738,481	76,981
Extracurricular Activities	25,000	25,000	23,930	(1,070)
Gifts and Donations	13,600	13,600	19,616	6,016
Miscellaneous	61,400	80,138	104,278	24,140
<b>Total Revenues</b>	<b>10,305,994</b>	<b>10,324,732</b>	<b>10,183,966</b>	<b>(140,766)</b>
<b><u>Expenditures</u></b>				
Current:				
Instruction:				
Regular	4,463,966	4,493,966	4,124,916	369,050
Special	1,499,556	1,499,556	1,338,426	161,130
Vocational	180,987	180,987	181,864	(877)
Other	1,188,017	1,188,017	1,120,126	67,891
Support Services:				
Pupils	546,312	546,312	506,602	39,710
Instructional Staff	102,176	102,176	92,653	9,523
Board of Education	46,379	46,379	52,533	(6,154)
Administration	874,329	874,329	946,954	(72,625)
Fiscal	309,373	309,373	310,091	(718)
Operation and Maintenance of Plant	483,198	483,198	594,236	(111,038)
Pupil Transportation	425,191	425,191	396,083	29,108
Central	290	290	2,228	(1,938)
Extracurricular Activities	191,813	191,813	185,805	6,008
Public School Support				
Pupils	78,868	90,468	83,666	6,802
Student Activities				
Extracurricular Activities	1,170	1,170	1,124	46
<b>Total Expenditures</b>	<b>10,391,625</b>	<b>10,433,225</b>	<b>9,937,307</b>	<b>495,918</b>
<b>Changes in Fund Balance</b>	<b>(85,631)</b>	<b>(108,493)</b>	<b>246,659</b>	<b>355,152</b>
Fund Balance at Beginning of Year	1,083,211	1,083,211	1,083,211	0
Prior Year Encumbrances Appropriated	78,783	78,783	78,783	0
<b>Fund Balance at End of Year</b>	<b>\$1,076,363</b>	<b>\$1,053,501</b>	<b>\$1,408,653</b>	<b>\$355,152</b>

See accompanying notes to the basic financial statements

**Delphos City School District**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

	Private Purpose Trust	Agency
<b><u>Assets</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$9,401	\$67,171
<b><u>Liabilities</u></b>		
Due to Students	0	\$67,171
<b><u>Net Position</u></b>		
Held in Trust for Students	\$9,401	

See accompanying notes to the basic financial statements



**Delphos City School District**  
Statement of Change in Fiduciary Net Position  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2017

<b><u>Additions</u></b>	
Interest	\$5,841
Gifts and Donations	<u>10,000</u>
Total Additions	15,841
<b><u>Deductions</u></b>	
Noninstructional Services	<u>63,335</u>
Change in Net Position	(47,494)
Net Position at Beginning of Year	<u>56,895</u>
Net Position at End of Year	<u><u>\$9,401</u></u>

See accompanying notes to the basic financial statements

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Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 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. It is staffed by forty-eight classified employees, eighty-two certified teaching personnel, and six administrative employees who provide services to 1,003 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 ensure 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. As of June 30, 2017, 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.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 1 - Description of the School District and Reporting Entity** (continued)

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 Career Center, Ohio School Plan, Allen County Schools Health Benefit Plan, Ohio Schools Council Workers' Compensation Group Rating Plan, and the Delphos Public Library. These organizations are presented in Notes 20, 21, and 22 to the basic financial statements.

**Note 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. 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position 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 position 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.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**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.

**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 reported in two categories, governmental and fiduciary.

**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 and deferred inflows of resources 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 permanent improvements.

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

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. 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**

**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 position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

**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 outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and explained in Note 14 to the basic financial statements.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 2 - Summary of Significant Accounting Policies** (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources includes property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants and delinquent property taxes. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 16. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 14 to the basic financial statements.

**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, 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.



Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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.

**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 2017 was \$3,233.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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 expended/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 generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position 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 acquisition value on the date donated. The School District maintains a capitalization threshold of one thousand five hundred dollars. 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.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

Description	Useful Lives
Land Improvements	10 - 30 years
Buildings and Building Improvements	10 - 100 years
Improvements Other Than Buildings	30 years
Furniture, Fixtures, and Equipment	5 - 30 years
Vehicles	15 years

**J. Interfund Assets/Liabilities**

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 position.

**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 twenty years of service, all employees age forty-five after fifteen years of service, and all employees age fifty after ten years of service.

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.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**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, net pension liability and 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. Net Position**

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for 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 position is available.

**N. 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:

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

Committed - The committed 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.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education has also assigned certain resources for extracurricular activities.

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.

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.

**O. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**P. 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.

**Note 3 - Change in Accounting Principles**

For fiscal year 2017, the School District implemented GASB Statement No. 77, "Tax Abatement Disclosures". GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The School District also implemented GASB Implementation Guide No. 2016-1. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 4 - Compliance**

The Permanent Improvement capital projects fund capital outlay object had expenditures plus encumbrances in excess of appropriations, in the amount of \$32,252, for the fiscal year ended June 30, 2017. The Treasurer will monitor budgetary transactions to ensure that expenditures are within amounts appropriated.

**Note 5 - Budgetary Basis of Accounting**

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

Changes in Fund Balance

	General
GAAP Basis	\$172,064
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2016, Received in Cash FY 2017	768,281
Accrued FY 2017, Not Yet Received in Cash	(612,698)
Expenditure Accruals:	
Accrued FY 2016, Paid in Cash FY 2017	(953,467)
Accrued FY 2017, Not Yet Paid in Cash	980,069
Cash on Hand at Beginning of Year	289
Cash on Hand at End of Year	(303)
	(continued)

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 5 - Budgetary Basis of Accounting** (continued)

Changes in Fund Balance (continued)	
	General
Prepaid Items	(\$7,431)
Materials and Supplies Inventory	(13,248)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(86,897)
Budget Basis	\$246,659

**Note 6 - 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.

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 6 - Deposits and Investments** (continued)

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.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,882,663 of the School District's bank balance of \$2,132,663 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in the OPCS will collateralize using the specific pledge method at 105 percent.

**Note 7 - Receivables**

Receivables at June 30, 2017, consisted of accounts (student fees and billings for user charged services), interfund, intergovernmental, and property taxes. 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.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 7 - Receivables** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Bureau of Workers' Compensation	\$13,002
Ohio Department of Job and Family Services	5,324
Total Major Funds	18,326
Other Governmental Funds	
Food Service	15,000
Straight A	50,430
Title VI-B	26,743
Title I	36,890
Title II-A	228
Total Other Governmental Funds	129,291
Total Intergovernmental Receivables	\$147,617

**Note 8 - 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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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.



Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 8 - Property Taxes** (continued)

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, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2017, 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 inflows of resources - property taxes.

The amount available as an advance at June 30, 2017, was \$589,073 in the General Fund and \$39,382 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2016, was \$766,418 in the General Fund and \$44,557 in the Permanent Improvement capital projects fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$191,546,360	96.44%	\$193,696,380	95.25%
Public Utility	7,068,970	3.56	9,653,120	4.75
Total Assessed Value	<u>\$198,615,330</u>	<u>100.00%</u>	<u>\$203,349,500</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.40		\$47.40	

**Note 9 - Tax Abatements**

The School District's property taxes were reduced as follows under enterprise zone agreements entered into by overlapping governments.

Overlapping Government	Amount of Fiscal Year 2017 Taxes Abated
Enterprise Zone Tax Exemptions	
Van Wert County	\$62,211

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17
<b>Governmental Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$126,685	\$0	\$0	\$126,685
Construction in Progress	0	18,563	0	18,563
<b>Total Nondepreciable Capital Assets</b>	<b>126,685</b>	<b>18,563</b>	<b>0</b>	<b>145,248</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	1,252,353	156,217	0	1,408,570
Buildings and Building Improvements	5,134,647	641,510	0	5,776,157
Improvements Other Than Buildings	20,930	0	0	20,930
Furniture, Fixtures, and Equipment	2,002,558	231,236	(16,565)	2,217,229
Vehicles	834,319	164,496	(156,545)	842,270
<b>Total Depreciable Capital Assets</b>	<b>9,244,807</b>	<b>1,193,459</b>	<b>(173,110)</b>	<b>10,265,156</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(815,953)	(28,534)	0	(844,487)
Buildings and Building Improvements	(2,007,526)	(90,838)	0	(2,098,364)
Improvements Other Than Buildings	(9,768)	(698)	0	(10,466)
Furniture, Fixtures, and Equipment	(1,485,077)	(90,882)	11,504	(1,564,455)
Vehicles	(502,244)	(50,176)	148,470	(403,950)
<b>Total Accumulated Depreciation</b>	<b>(4,820,568)</b>	<b>(261,128)</b>	<b>159,974</b>	<b>(4,921,722)</b>
<b>Depreciable Capital Assets, Net</b>	<b>4,424,239</b>	<b>932,331</b>	<b>(13,136)</b>	<b>5,343,434</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$4,550,924</b>	<b>\$950,894</b>	<b>(\$13,136)</b>	<b>\$5,488,682</b>

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 10 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$133,057
Vocational	227
Support Services:	
Pupils	81
Instructional Staff	258
Administration	12,473
Operation and Maintenance of Plant	27,094
Pupil Transportation	50,176
Noninstructional Services	7,053
Extracurricular Activities	30,709
Total Depreciation Expense	<u>\$261,128</u>

**Note 11 - Interfund**

At June 30, 2017, the General Fund had an interfund receivable from other governmental funds, in the amount of \$66,801, for short-term loans made to those funds. This amount is expected to be repaid within one year.

**Note 12 - 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 2017, 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	35,907,308
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.

For fiscal year 2017, 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.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 12 - Risk Management** (continued)

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.

**Note 13 - Other Purchase Commitments**

At fiscal year end, the significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2018 were as follows:

General Fund	\$86,897
Permanent Improvement Fund	112,694
Total	<u>\$199,591</u>

**Note 14 - Defined Benefit Pension Plans**

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 14 - Defined Benefit Pension Plans** (continued)

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS’ fiduciary net position. The report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. Final average salary is the average of the highest three years of salary.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 14 - Defined Benefit Pension Plans** (continued)

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$144,513 for fiscal year 2017. Of this amount, \$24,500 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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). Benefits are established by Ohio Revised Code Chapter 3307.

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 14 - Defined Benefit Pension Plans** (continued)

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age fifty or later.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased 1 percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$628,057 for fiscal year 2017. Of this amount, \$97,532 is reported as an intergovernmental payable.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 14 - Defined Benefit Pension Plans** (continued)

Following is information related to the proportionate share and pension expense.

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.03083920%	0.04307311%	
Proportion of the Net Pension Liability Current Measurement Date	0.03126190%	0.04208455%	
Change in Proportionate Share	<u>0.00042270%</u>	<u>0.00098856%</u>	
Proportionate Share of the Net Pension Liability	\$2,288,082	\$14,086,967	\$16,375,049
Pension Expense	\$243,451	\$1,045,140	\$1,288,591

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences Between Expected and Actual Experience	\$30,861	\$569,181	\$600,042
Changes of Assumptions	152,742	0	152,742
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	188,734	1,169,597	1,358,331
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	16,624	176,797	193,421
School District Contributions Subsequent to the Measurement Date	144,513	628,057	772,570
Total Deferred Outflows of Resources	<u>\$533,474</u>	<u>\$2,543,632</u>	<u>\$3,077,106</u>
<b>Deferred Inflows of Resources</b>			
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>\$1,332</u>	<u>\$225,914</u>	<u>\$227,246</u>

\$772,570 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018.



Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 14 - Defined Benefit Pension Plans** (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2018	\$98,659	\$277,754	\$376,413
2019	98,524	277,754	376,278
2020	136,193	726,562	862,755
2021	54,253	407,591	461,844
Total	<u>\$387,629</u>	<u>\$1,689,661</u>	<u>\$2,077,290</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2016, compared with June 30, 2015, are presented below.

	June 30, 2016	June 30, 2015
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal	entry age normal

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 14 - Defined Benefit Pension Plans** (continued)

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 14 - Defined Benefit Pension Plans** (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$3,029,279	\$2,288,082	\$1,667,671

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent
Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study effective July 1, 2012.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 14 - Defined Benefit Pension Plans** (continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the retirement board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00%	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and, therefore, is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$18,720,435	\$14,086,967	\$10,178,364

**Note 14 - Defined Benefit Pension Plans** (continued)

**Changes Between Measurement Date and Report Date**

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's net pension liability is expected to be significant.

**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, 2017, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 15 - Postemployment Benefits**

**School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health care plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is 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.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 15 - Postemployment Benefits** (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$16,139.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contribution for health care for the fiscal years ended June 30, 2017, 2016, and 2015 was \$0, \$0, and \$7,654, respectively. The full amount has been contributed for all three fiscal years.

**State Teachers Retirement System (STRS)**

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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal years ended June 30, 2017, 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care.

**Note 16 - 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.

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 16 - Other Employee Benefits** (continued)

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 Dearborn National Life Insurance Company. The School District provides vision insurance through Fidelity Security Life Insurance Company (EyeMed).

**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.

**Note 17 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
Net Pension Liability					
STRS	\$11,904,148	\$2,182,819	\$0	\$14,086,967	\$0
SERS	1,759,715	528,367	0	2,288,082	0
Total Net Pension Liability	13,663,863	2,711,186	0	16,375,049	0
Compensated Absences Payable	589,615	126,758	42,357	674,016	19,176
Total Long-Term Obligations	\$14,253,478	\$2,837,944	\$42,357	\$17,049,065	\$19,176

Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 17 - Long-Term Obligations** (continued)

There is no repayment schedule for the net pension liability; however, employer pension contributions are made from the General Fund and the Food Service, Auxiliary Services, Straight A, Title VI-B, and Title I special revenue funds.

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 \$17,434,399 with an unvoted debt margin of \$193,716 at June 30, 2017.

**Note 18 - Fund Balance**

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

Fund Balance	General	Permanent Improvement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies				
Inventory	\$25,356	\$0	\$3,071	\$28,427
Prepaid Items	23,370	0	8,522	31,892
<b>Total Nonspendable</b>	<b>48,726</b>	<b>0</b>	<b>11,593</b>	<b>60,319</b>
Restricted for:				
Athletics and Music	0	0	59,168	59,168
Capital Improvements	0	144,936	0	144,936
Food Service	0	0	192,917	192,917
Network Connectivity	0	0	3,600	3,600
Non-Public Schools	0	0	30,174	30,174
Regular Instruction	0	0	22,654	22,654
Special Instruction	0	0	18,031	18,031
<b>Total Restricted</b>	<b>0</b>	<b>144,936</b>	<b>326,544</b>	<b>471,480</b>
Assigned for:				
Extracurricular Activities	49,113	0	0	49,113
Unpaid Obligations	56,692	0	0	56,692
<b>Total Assigned</b>	<b>105,805</b>	<b>0</b>	<b>0</b>	<b>105,805</b>
Unassigned (Deficit)	1,022,677	0	(123)	1,022,554
<b>Total Fund Balance</b>	<b>\$1,177,208</b>	<b>\$144,936</b>	<b>\$338,014</b>	<b>\$1,660,158</b>



Delphos City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 19 - 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. Amounts 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 2017.

	Capital Improvements
Balance June 30, 2016	\$0
Current Year Set Aside Requirement	173,515
Current Year Offsets	(173,515)
Balance June 30, 2017	\$0

**Note 20 - 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 2017, the School District paid \$49,265 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.

**B. Vantage Career Center**

The Vantage Career Center (Center) is a distinct political subdivision of the State of Ohio which provides vocational education. The Center 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 Career Center, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

**Note 21 - 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  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 22 - Related Organization**

The Delphos 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 Public Library, 309 West Second Street, Delphos, Ohio 45833.

**Note 23 - 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

**B. School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the School District; As a result of the fiscal year 2018 reviews, the School District received an additional \$9,905 from ODE. This amount has not been included in the financial statements.

**C. Litigation**

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

Delphos City School District  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03126190%	0.03083920%	0.03089000%	0.03089000%
School District's Proportionate Share of the Net Pension Liability	\$2,288,082	\$1,759,715	\$1,563,325	\$1,836,929
School District's Employee Payroll	\$961,714	\$933,421	\$840,939	\$860,374
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	237.92%	188.52%	185.90%	213.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Delphos City School District  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04208455%	0.04307311%	0.04200506%	0.04200506%
School District's Proportionate Share of the Net Pension Liability	\$14,086,967	\$11,904,148	\$10,217,084	\$12,170,524
School District's Employee Payroll	\$4,497,907	\$4,480,700	\$4,321,246	\$4,370,377
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	313.19%	265.68%	236.44%	278.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Delphos City School District  
 Required Supplementary Information  
 Schedule of the School District's Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$144,513	\$134,640	\$123,025	\$116,554
Contributions in Relation to the Contractually Required Contribution	<u>(144,513)</u>	<u>(134,640)</u>	<u>(123,025)</u>	<u>(116,554)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$1,032,236	\$961,714	\$933,421	\$840,939
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$119,076	\$123,300	\$128,767	\$139,958	\$100,040	\$101,597
<u>(119,076)</u>	<u>(123,300)</u>	<u>(128,767)</u>	<u>(139,958)</u>	<u>(100,040)</u>	<u>(101,597)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$860,374	\$916,732	\$1,024,403	\$1,033,662	\$1,016,667	\$1,034,596
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Delphos City School District  
 Required Supplementary Information  
 Schedule of the School District's Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$628,057	\$629,707	\$627,298	\$561,762
Contributions in Relation to the Contractually Required Contribution	<u>(628,057)</u>	<u>(629,707)</u>	<u>(627,298)</u>	<u>(561,762)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$4,486,121	\$4,497,907	\$4,480,700	\$4,321,246
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.00%



<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$568,149	\$464,596	\$559,661	\$565,221	\$586,514	\$617,397
<u>(568,149)</u>	<u>(464,596)</u>	<u>(559,661)</u>	<u>(565,221)</u>	<u>(586,514)</u>	<u>(617,397)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,370,377	\$3,573,815	\$4,305,085	\$4,347,854	\$4,511,646	\$4,749,208
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Delphos City School District  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below.

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Amounts reported for fiscal year 2017 use morality assumptions that are based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor/ Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
(Passed through Ohio Department of Education)		
Child Nutrition Cluster:		
Non -Cash Assistance (Food Distribution)		
School Breakfast Program	10.553	\$8,528
National School Lunch Program	10.555	<u>34,114</u>
Total Non-Cash Assistance		42,642
Cash Assistance:		
School Breakfast Program	10.553	30,800
National School Lunch Program	10.555	<u>196,714</u>
Total Cash Assistance		<u>227,514</u>
Total Child Nutrition Cluster:		270,156
 Team Nutrition Grant	 10.574	 <u>15,000</u>
 Total U.S. Department of Agriculture		 285,156
<b>U.S. DEPARTMENT OF EDUCATION</b>		
(Passed through Ohio Department of Education)		
Title I Grants to Local Educational Agencies	84.010	230,423
Special Education Cluster (IDEA)		
Special Education_Grants to States	84.027	<u>302,703</u>
Total Special Education Cluster (IDEA)		302,703
Improving Teacher Quality State Grants	84.367	<u>33,047</u>
Total U.S. Department of Education		<u>566,173</u>
Total Expenditures of Federal Awards		<u><u>\$851,329</u></u>

*The accompanying notes are an integral part of this schedule*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Delphos City School District (the School District) under programs of the federal government for the fiscal year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - 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 D – 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 programs that benefitted from the use of those donated food commodities.

**NOTE E – PASS THROUGH FUNDS**

The School District was awarded federal program allocations to be administered on their behalf by the Allen County Educational Service Center. For 2017, the School District's allocation was as follows:

Special Education Preschool Grants – CFDA #84.173.....\$3,439.43



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delphos City School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 22, 2018.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

***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, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

***School District's Response to Findings***

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 22, 2018



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for each Major Federal Program***

We have audited Delphos City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the fiscal year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

***Opinion on each Major Federal Program***

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2017.

***Report on Internal Control Over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine 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.

*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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 22, 2018



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
2 C.F.R. § 200.515  
JUNE 30, 2017**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 Grants to Local Educational Agencies – CFDA #84.010  Special Education Cluster (IDEA)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 C.F.R. §200.520?	No

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

**FINDING NUMBER 2017-001**

**Material Weakness – Accounts Payable**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

An obligation is considered payable when the goods or services have been received by fiscal year-end. The amount reported as accounts payable for Governmental Activities and in the Permanent Improvement Fund included \$72,948 that was not an obligation until fiscal year 2018; excluded a fiscal year-end obligation in the amount of \$6,532; and included a payable in the amount of \$2,870 that should have been classified as contracts payable.

Errors in the amount reported as accounts payable resulted in the material misstatement of the financial statements and were adjusted in the accompanying financial statements.

The School District should implement procedures to review the accounts payable listing to verify that the reported amounts are actual obligations at fiscal year-end and include all year-end obligations.

**OFFICIALS' RESPONSE:** When completing the "Accounts Payable" folder next year and all the years to follow, we will study the notes returned with the folder from Local Government Services and also pay close attention to the payable report that will be generated in the creation of this folder. Careful study will make sure that the dates are proper to indicate a payable should or should not be included and also check that the classification is correct.

**FINDING NUMBER 2017-002**

**Material Weakness / Noncompliance Citation**

**Ohio Rev. Code § 5705.10(A)** requires all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

General Fund property tax revenue in the amount of \$9,526 was recorded in the Capital Projects Permanent Improvement Fund.

The failure to correctly record revenue not only materially misstated the financial statements but also impacted the users understanding of the financial activity and balances. The Board received fund balance reports, bank reconciliations and approved the payment of invoices during the audit period. The failure to review financial reports showing financial activity at the detail level and budget versus actual reports may have contributed to the inability to detect this recording error.

The accompanying financial statements and the accounting records have been adjusted to correct this recording error.

**FINDING NUMBER 2017-002  
(Continued)**

In addition to the current reports, the Board should review reports that show detailed receipt and disbursement activity and budget versus actual activity. The review of these reports will not only help in the management of financial resources but will also aid in the detection of recording errors in a timely manner.

**OFFICIALS' RESPONSE:** The problem is not about following the ORC that applies, it is about sorting through the settlement sheets that come from the county auditor(s). We have two counties so we have two different sheets to work with. I am creating a procedure document to identify the numbers and formulas from both counties that will ensure that I properly code not only the different tax types but also properly break down the fees when additional levy fees are added.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

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*Delphos City Schools*

234 N. JEFFERSON ST.  
DELPHOS, OHIO 45833

*Kevin J. Wolfe*

SUPERINTENDENT  
PHONE (419) 692-2509  
FAX (419) 692-2653  
WWW.NOACSC.ORG/ALLEN/DL/

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
2016-2017**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	<b>When completing the “Accounts Payable” folder next year and all the years to follow, we will study the notes returned with the folder from Local Government Services and also pay close attention to the payable report that will be generated in the creation of this folder. Careful study will make sure that the dates are proper to indicate a payable should or should not be included and also check that the classification is correct.</b>	9/20/18	Brad Rostorfer, Treasurer
2017-002	<b>The problem is not about following the ORC that applies, it is about sorting through the settlement sheets that come from the county auditor(s). We have two counties so we have two different sheets to work with. I am creating a procedure document to identify the numbers and formulas from both counties that will ensure that I properly code not only the different tax types but also properly break down the fees when additional levy fees are added.</b>	3/31/18	Brad Rostorfer, Treasurer

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# 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 24, 2018**