



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

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ALLEN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Delphos City School District, Allen County, (the School District) as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Delphos City School District, Allen County, as of June 30, 2000 and 1999, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the June 30, 2000 general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 21, 2000

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Assets and Other Debits:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$600,137	\$211,380	\$224,604
Receivables:			
Taxes	3,440,618	0	280,094
Accounts	74	78	0
Intergovernmental	2,900	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	8,210	0	0
Prepaid Items	63,372	898	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	46,934	0	0
Advances to Other Funds	65,000	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	<u>\$4,227,245</u>	<u>\$212,356</u>	<u>\$504,698</u>
Liabilities, Fund Equity and Other Credits:			
Liabilities:			
Accounts Payable	\$37,191	\$8,617	\$0
Contracts Payable	0	0	62,347
Accrued Wages and Benefits	534,972	54,541	0
Compensated Absences Payable	70,051	0	0
Intergovernmental Payable	134,278	9,234	0
Deferred Revenue	3,137,477	0	271,996
Due to Students	0	0	0
Advances from Other Funds	0	0	65,000
General Obligation Bonds Payable	0	0	0
Total Liabilities	<u>3,913,969</u>	<u>72,392</u>	<u>399,343</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved (Deficit)	0	0	0
Fund Balance:			
Reserved for Encumbrances	52,009	32,945	153,143
Reserved for Inventory	8,210	0	0
Reserved for Advances	65,000	0	0
Reserved for Property Taxes	303,141	0	8,098
Reserved for Budget Stabilization	46,934	0	0
Designation for Budget Stabilization	46,935	0	0
Unreserved (Deficit)	(208,953)	107,019	(55,886)
Total Fund Equity (Deficit) and Other Credits	<u>313,276</u>	<u>139,964</u>	<u>105,355</u>
Total Liabilities, Fund Equity, And Other Credits	<u>\$4,227,245</u>	<u>\$212,356</u>	<u>\$504,698</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$8,698	\$55,755	\$0	\$0	\$1,100,574
0	0	0	0	3,720,712
303	260	0	0	715
0	0	0	0	2,900
18,370	0	0	0	18,370
4,963	0	0	0	13,173
4,419	0	0	0	68,689
0	0	0	0	46,934
0	0	0	0	65,000
35,571	0	7,435,483	0	7,471,054
0	0	0	802,078	802,078
<u>\$72,324</u>	<u>\$56,015</u>	<u>\$7,435,483</u>	<u>\$802,078</u>	<u>\$13,310,199</u>
\$0	\$378	\$0	\$0	\$46,186
0	0	0	0	62,347
28,172	0	0	0	617,685
5,568	0	0	619,256	694,875
29,560	0	0	42,722	215,794
11,507	0	0	0	3,420,980
0	41,009	0	0	41,009
0	0	0	0	65,000
0	0	0	140,100	140,100
<u>74,807</u>	<u>41,387</u>	<u>0</u>	<u>802,078</u>	<u>5,303,976</u>
0	0	7,435,483	0	7,435,483
6,819	0	0	0	6,819
(9,302)	0	0	0	(9,302)
0	0	0	0	238,097
0	0	0	0	8,210
0	0	0	0	65,000
0	0	0	0	311,239
0	0	0	0	46,934
0	0	0	0	46,935
0	14,628	0	0	(143,192)
<u>(2,483)</u>	<u>14,628</u>	<u>7,435,483</u>	<u>0</u>	<u>8,006,223</u>
<u>\$72,324</u>	<u>\$56,015</u>	<u>\$7,435,483</u>	<u>\$802,078</u>	<u>\$13,310,199</u>

DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDTYPES AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	\$3,374,621	\$0	\$0	\$260,730	\$0	\$3,635,351
Intergovernmental	2,559,090	669,209	0	75,277	0	3,303,576
Interest	81,899	12,999	0	0	0	94,898
Tuition and Fees	39,156	0	0	0	0	39,156
Extracurricular Activities	0	155,975	0	0	0	155,975
Gifts and Donations	0	3,000	0	0	15,623	18,623
Miscellaneous	1,240	0	0	0	0	1,240
Total Revenues	<u>6,056,006</u>	<u>841,183</u>	<u>0</u>	<u>336,007</u>	<u>15,623</u>	<u>7,248,819</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,881,647	15,515	0	0	18,594	2,915,756
Special	270,569	143,273	0	0	0	413,842
Vocational	478,343	0	0	6,287	0	484,630
Other	119,259	0	0	0	0	119,259
Support Services:						
Pupils	201,785	107,429	0	0	519	309,733
Instructional Staff	214,253	23,991	0	0	0	238,244
Board of Education	16,997	0	0	0	0	16,997
Administration	476,316	4,417	0	0	0	480,733
Fiscal	209,648	3,914	0	6,076	0	219,638
Operation and Maintenance of Plant	630,650	550	0	0	25,678	656,878
Pupil Transportation	311,235	0	0	0	0	311,235
Central	1,201	0	0	0	0	1,201
Non-Instructional Services	0	482,354	0	0	1,000	483,354
Extracurricular Activities	196,077	63,479	0	0	0	259,556
Capital Outlay	16,000	0	0	229,520	0	245,520
Debt Service:						
Principal Retirement	0	0	64,700	0	0	64,700
Interest and Fiscal Charges	0	0	10,123	0	0	10,123
Total Expenditures	<u>6,023,980</u>	<u>844,922</u>	<u>74,823</u>	<u>241,883</u>	<u>45,791</u>	<u>7,231,399</u>
Excess of Revenues Over (Under) Expenditures	<u>32,026</u>	<u>(3,739)</u>	<u>(74,823)</u>	<u>94,124</u>	<u>(30,168)</u>	<u>17,420</u>
Other Financing Sources (Uses):						
Proceeds from the Sale of Fixed Assets	580	0	0	0	0	580
Operating Transfers In	0	0	74,823	1,080	0	75,903
Operating Transfers Out	(80,389)	0	0	(1,080)	0	(81,469)
Total Other Financing Sources (Uses)	<u>(79,809)</u>	<u>0</u>	<u>74,823</u>	<u>0</u>	<u>0</u>	<u>(4,986)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(47,783)</u>	<u>(3,739)</u>	<u>0</u>	<u>94,124</u>	<u>(30,168)</u>	<u>12,434</u>
Fund Balances at Beginning of Year	362,407	143,703	0	11,231	44,796	562,137
Decrease in Reserve for Inventory	(1,348)	0	0	0	0	(1,348)
Fund Balances at End of Year	<u>\$313,276</u>	<u>\$139,964</u>	<u>\$0</u>	<u>\$105,355</u>	<u>\$14,628</u>	<u>\$573,223</u>

See accompanying notes to the general purpose financial statements

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DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$3,267,195	\$3,282,822	\$15,627	\$0	\$0	\$0
Intergovernmental	2,589,381	2,557,990	(31,391)	644,791	669,209	24,418
Interest	5,000	80,704	75,704	26,373	12,782	(13,591)
Tuition and Fees	45,000	39,887	(5,113)	0	0	0
Extracurricular Activities	0	0	0	131,650	162,497	30,847
Gifts and Donations	0	0	0	3,000	3,000	0
Miscellaneous	0	1,240	1,240	0	0	0
Total Revenues	5,906,576	5,962,643	56,067	805,814	847,488	41,674
Expenditures:						
Current						
Instruction:						
Regular	2,860,193	2,842,075	18,118	31,751	30,520	1,231
Special	274,299	268,237	6,062	165,839	150,463	15,376
Vocational	481,241	476,725	4,516	0	0	0
Other	143,629	143,602	27	0	0	0
Support Services:						
Pupils	229,748	214,823	14,925	119,965	113,840	6,125
Instructional Staff	218,581	215,385	3,196	26,984	24,736	2,248
Board of Education	21,257	17,668	3,589	0	0	0
Administration	489,810	480,265	9,545	4,976	4,156	820
Fiscal	196,153	193,235	2,918	5,000	3,459	1,541
Operation and Maintenance of Plant	734,341	711,182	23,159	550	550	0
Pupil Transportation	323,325	320,830	2,495	0	0	0
Central	1,439	1,396	43	0	0	0
Noninstructional Services	0	0	0	527,176	496,202	30,974
Extracurricular Activities	195,687	189,874	5,813	82,062	77,064	4,998
Capital Outlay	17,168	16,000	1,168	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	6,186,871	6,091,297	95,574	964,303	900,990	63,313
Excess of Revenues Over (Under) Expenditures	(280,295)	(128,654)	151,641	(158,489)	(53,502)	104,987
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	580	580	0	0	0
Refund of Prior Years Receipts	0	0	0	0	0	0
Advances In	65,000	92,000	27,000	0	22,000	22,000
Advances Out	(92,000)	(92,000)	0	(22,000)	(22,000)	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(80,389)	(80,389)	0	0	0	0
Total Other Financing Sources (Uses)	(107,389)	(79,809)	27,580	(22,000)	0	22,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(387,684)	(208,463)	179,221	(180,489)	(53,502)	126,987
Fund Balances at Beginning of Year	646,270	646,270	0	170,334	170,334	0
Prior Year Encumbrances Appropriated	115,832	115,832	0	52,050	52,050	0
Fund Balances(Deficits) at End of Year	\$374,418	\$553,639	\$179,221	\$41,895	\$168,882	\$126,987

See accompanying notes to the general purpose financial statements

Debt Service Funds			Capital Projects Fund			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$274,080	\$261,652	(\$12,428)	\$0	\$0	\$0
0	0	0	17,995	75,277	57,282	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	49,963	15,623	(34,340)
0	0	0	0	0	0	0	0	0
0	0	0	292,075	336,929	44,854	49,963	15,623	(34,340)
0	0	0	0	0	0	19,565	19,037	528
0	0	0	0	0	0	0	0	0
0	0	0	6,287	6,287	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,380	519	861
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	6,077	6,076	1	0	0	0
0	0	0	0	0	0	94,055	41,846	52,209
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,000	1,000	0
0	0	0	0	0	0	0	0	0
0	0	0	382,664	382,663	1	0	0	0
64,700	64,700	0	0	0	0	0	0	0
10,123	10,123	0	0	0	0	0	0	0
74,823	74,823	0	395,028	395,026	2	116,000	62,402	53,598
(74,823)	(74,823)	0	(102,953)	(58,097)	44,856	(66,037)	(46,779)	19,258
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	(181)	(181)	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
74,823	74,823	0	0	1,080	1,080	0	0	0
0	0	0	(1,080)	(1,080)	0	0	0	0
74,823	74,823	0	(1,080)	0	1,080	(181)	(181)	0
0	0	0	(104,033)	(58,097)	45,936	(66,218)	(46,960)	19,258
0	0	0	24,128	24,128	0	17,233	17,233	0
0	0	0	43,083	43,083	0	44,355	44,355	0
\$0	\$0	\$0	(\$36,822)	\$9,114	\$45,936	(\$4,630)	\$14,628	\$19,258

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise
Operating Revenues:	
Sales	\$280,549
Total Operating Revenues	280,549
Operating Expenses:	
Salaries	137,480
Fringe Benefits	73,872
Purchased Services	2,965
Materials and Supplies	4,290
Cost of Sales	219,933
Depreciation	2,670
Total Operating Expenses	441,210
Operating Loss	(160,661)
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	35,036
Interest	1,277
Federal and State Subsidies	92,553
Loss on Disposal of Fixed Assets	(51)
Total Non-Operating Revenues (Expenses)	128,815
Net Loss Before Operating Transfers	(31,846)
Operating Transfers In	5,566
Net Loss	(26,280)
Retained Earnings at Beginning of Year	16,978
Retained Earnings (Deficit) at End of Year	(9,302)
Contributed Capital at Beginning and End of Year	6,819
Total Fund Equity (Deficit) at End of Year	(\$2,483)

See accompanying notes to the general purpose financial statements

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$280,496
Cash Payments to Suppliers for Goods and Services	(197,748)
Cash Payments to Employees for Services	(136,713)
Cash Payments for Employee Benefits	(72,755)
Net Cash Used for Operating Activities	(126,720)
Cash Flows from Noncapital Financing Activities:	
Advances In	70,000
Advances Out	(70,000)
Operating Transfers In	5,566
Operating Grants Received	92,553
Net Cash Provided by Noncapital Financing Activities	98,119
<u>Cash Flows from Investing Activities:</u>	
Cash Received from Interest	1,277
Decrease in Cash and Cash Equivalents	(27,324)
Cash and Cash Equivalents at Beginning of Year	36,022
Cash and Cash Equivalents at End of Year	\$8,698
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$160,661)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	2,670
Donated Commodities Used During Year	35,036
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(150)
Increase in Inventory Held for Resale	(2,110)
Decrease in Materials and Supplies Inventory	7
Increase in Prepaid Items	(1,423)
Decrease in Accounts Payable	(3,396)
Increase in Accrued Wages and Benefits	3,594
Increase in Compensated Absences Payable	1,654
Decrease in Intergovernmental Payable	(1,941)
Net Cash Used for Operating Activities	(\$126,720)

See accompanying notes to the general purpose financial statements

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$300,607	\$280,497	(\$20,110)
Interest	3,000	1,385	(1,615)
Operating Grants	84,000	92,553	8,553
Total Revenues	<u>387,607</u>	<u>374,435</u>	<u>(13,172)</u>
Expenses:			
Salaries and Wages	137,805	136,713	1,092
Fringe Benefits	73,164	72,755	409
Purchased Services	4,026	3,358	668
Materials and Supplies	195,923	194,218	1,705
Capital Outlay	660	173	487
Total Expenses	<u>411,578</u>	<u>407,217</u>	<u>4,361</u>
Excess of Revenues Under Expenses	(23,971)	(32,782)	(8,811)
Operating Transfers In	0	5,566	5,566
Advances In	57,534	70,000	12,466
Advances Out	<u>(70,000)</u>	<u>(70,000)</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses, Transfers, and Advances	(36,437)	(27,216)	9,221
Fund Balance at Beginning of Year	32,076	32,076	0
Prior Year Encumbrances Appropriated	<u>3,788</u>	<u>3,788</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>(\$573)</u></u>	<u><u>\$8,648</u></u>	<u><u>\$9,221</u></u>

See accompanying notes to the general purpose financial statements

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Delphos City School District (the "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 statute and/or federal guidelines.

The School District is located in Allen and Van Wert Counties and includes all of the City of Delphos and portions of Washington and Marion Townships. It is staffed by 51 non-certificated employees, 80 certificated full-time teaching personnel and 6 administrative employees who provide services to 1,118 students and other community members. The School District currently operates 4 instructional buildings and 2 bus garages.

Reporting Entity:

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

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, Delphos St. John's School is operated through the Toledo Catholic Diocese; Delphos St. John's School is operated as a private school. Current State legislation provides funding to this parochial school. These moneys are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity of these State moneys by the School District are reflected in a special revenue fund for financial reporting purposes.

The School District is associated with four jointly governed organizations, two insurance pools, and one related organization. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, the Allen County Schools Health Benefit Plan, the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Delphos Public Library. These organizations are presented in Notes 18, 19, and 20 to the general purpose financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

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

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

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

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

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

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

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary fund types include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the enterprise or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

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 the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to non-negotiable certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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 2000 amounted to \$81,899, which includes \$19,672 assigned from other School District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of the enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the enterprise funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets, and to create a reserve for budget stabilization. See Note 14 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to thirty years.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

Special Revenue Fund

- Textbook Subsidy

Non-Reimbursable Grants

Special Revenue Funds

- Auxiliary Services
- Adult Vocational Education
- Professional Development Block Grant
- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Eisenhower Grant
- Drug-Free Schools
- Continuous Improvement Plan

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund
SchoolNet Plus
Vocational Education Equipment
Power Up

Reimbursable Grants
General Fund
Driver Education
Enterprise Funds
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately forty-six percent of the School District's governmental operating revenue during the 2000 fiscal year.

J. Interfund Assets/Liabilities

Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

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 that 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 classified employees after one year of current service with the School District and for certified employees and administrators after one year of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year end are

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

considered not to have used current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate enterprise funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory of supplies and materials, property taxes, advances, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

The School District designates a portion of fund equity to indicate tentative planned expenditures of financial resources. A fund balance designation has been established for the revenues set-aside for budget stabilization that exceeded the statutorily required amount.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Use of Estimates

The preparation of the 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.

Q. Total Columns on General Purpose Financial Statements

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

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Compliance

The School District's appropriation exceeded estimated resources in the following funds:

Fund Type/Fund	Estimated Resources	Appropriations	Excess
Special Revenue Funds			
Auxiliary Services	\$505,232	\$529,404	\$24,172
Title VI-B	76,098	77,150	1,052
Title VI	11,681	12,625	944
Capital Project Funds			
Vocational Educational Equipment	6,186	6,287	101
Schoolnet	0	41,249	41,249
Enterprise Fund			
Food Service	369,683	370,256	573
Expendable Trust Fund			
Trust	67,196	71,826	4,630

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

B. Accountability

At June 30, 2000, the nonpublic auxiliary services special revenue fund had deficit fund balances of \$10,724 and the lunchroom enterprise fund had deficit retained earnings of \$15,125. The deficits in the special revenue funds resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis)
4. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	(\$47,783)	(\$3,739)	\$94,124	(\$30,168)
Revenue Accruals	(91,520)	9,029	922	0
Expenditure Accruals	32,895	(17,010)	62,347	(16,792)
Unrecorded Cash at Fiscal Year End	(1,195)	(217)	0	0
Prepays	(12,828)	0	0	0
Advances In	92,000	22,000	0	0
Advances Out	(92,000)	(22,000)	0	0
Encumbrances Outstanding				
At Year End (Budget Basis)	(88,032)	(41,565)	(215,490)	0
Budget Basis	<u>(\$208,463)</u>	<u>(\$53,502)</u>	<u>(\$58,097)</u>	<u>(\$46,960)</u>

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Over Expenses, Transfers and Advances	
Enterprise Funds	
GAAP Basis	(\$26,280)
Revenue Accruals	(150)
Expense Accruals	(89)
Unrecorded Cash At Fiscal Year End	108
Change in Materials and Supply Inventory	7
Change in Inventory Held for Resale	(2,110)
Change in Prepaid Items	(1,423)
Depreciation Expense	2,670
Loss on Sale of Fixed Assets	51
Advances In	70,000
Advances Out	(70,000)
Budget Basis	<u><u>(\$27,216)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 that the Board has identified as not required for use within the current two 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 moneys. Interim moneys are those moneys 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 pass book accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim moneys may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any Federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marking Association. All Federal agency services shall be direct issuances of Federal government agencies or instrumentalities;

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$3,701) and the bank balance was \$50,000. Of the bank balance \$50,000 was covered by federal depository insurance.

Investments: GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the fair value and carrying amounts of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had an investment in a repurchase agreement with a fair value of \$1,151,209 as of June 30, 2000 and is classified in Category 3.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal years 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, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. For 2000, real property tax levied after April 1, 2000, on the assessed values as of January 1, 2000, 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 real and tangible personal property taxes were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. For 2000, tangible personal property taxes were levied after April 1 on the value as of December 31, the lien date. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Allen and Van Wert Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$303,141 in the general fund and \$8,098 in the permanent improvement capital projects fund. The amounts available as an advance at June 30, 1999 were \$211,342 in the general fund and \$9,021 in the permanent improvement capital projects fund and are recognized as revenue in the general fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$97,881,650	80.01%	\$105,102,380	79.37%
Public Utility Personal	6,457,790	5.28%	5,850,110	4.42%
Tangible Personal Property	17,911,620	14.71%	21,469,920	16.21%
Total Assessed Value	<u>\$122,251,060</u>	<u>100.00%</u>	<u>\$132,422,410</u>	<u>100.00%</u>
 Tax rate per \$1,000 of Assessed Valuation	 \$42.75		 \$42.75	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Drivers Education	\$2,900
Total General Fund	\$2,900

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$199,848
Less Accumulated Depreciation	(164,277)
Net Fixed Assets	\$35,571

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	Balance 6/30/1999	Additions	Deletions	Balance 6/30/2000
Land, Buildings and Improvements	\$4,126,776	\$86,478	\$0	\$4,213,254
Furniture, Fixtures and Equipment	2,068,871	350,899	83,532	2,336,238
Vehicles	743,555	0	0	743,555
Construction in Progress	0	142,436	0	142,436
Totals	<u>\$6,939,202</u>	<u>\$579,813</u>	<u>\$83,532</u>	<u>\$7,435,483</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for general liability, fleet insurance, and property insurance.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

Coverages provided by the various insurances are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$22,968,253
Automobile Liability (\$500 deductible)	2,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000
Bus Garage (\$1,000 deductible)	429,700

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

The School District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 19). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

The School District participates in the Allen County Schools Health Benefit Plan (the Plan) (Note 19), a public entity shared risk pool consisting of the school districts within Allen County. 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. 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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$37,516, \$49,481 and \$59,841, respectively; 36.9 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$23,673 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$212,112, \$204,090, and \$331,835, respectively; 83.4 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$35,264, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, four members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve. For the School District, this amount equaled \$282,816 for fiscal year 2000.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$84,189 during the 2000 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expense for health care at June 30, 1999, was \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 48 days for all employees.

B. Health Care Benefits

The School District has elected to provide employee medical/surgical 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 employees depending on the terms of the union contract. Life insurance is provided through CoreSource. The School District also contributes to a Flexible Health Benefit Spending Account for each employee for medical expenses not covered by other health insurance.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Balance 6/30/1999	Additions	Deductions	Balance 6/30/2000
1990 Energy Conservation Improvement Bonds 6.75%	\$54,000	\$0	\$27,000	\$27,000
1992 Energy Conservation Improvement Bonds 5.6%	150,800	0	37,700	113,100
Intergovernmental Payable	41,020	42,722	41,020	42,722
Compensated Absences	631,268	0	12,012	619,256
Total General Long Term Obligations	<u>\$877,088</u>	<u>\$42,722</u>	<u>\$117,732</u>	<u>\$802,078</u>

Energy Conservation Improvement Bonds - The School District issued general obligation bonds for energy conservation. The bonds were issued for a twenty year period with final maturity at December 1, 2000 for the 1990 bonds and December 1, 2002 for the 1992 bonds. The bonds will be retired from the debt service fund.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$11,777,917 with an unvoted debt margin of \$132,422 at June 30, 2000.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2000, are as follows:

Fiscal Year Ended	Amount
2001	\$70,889
2002	40,867
2002	38,756
Total	<u>\$150,512</u>

NOTE 14 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 14 - SET-ASIDE CALCULATIONS AND FUND RESERVES

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 1999	\$23,225	\$0	\$0
Current Year Set-aside Requirement	48,259	140,803	140,803
Current Year Offsets	(24,550)	(256,626)	0
Qualifying Disbursements	0	0	(228,536)
Total	46,934	(115,823)	(87,733)
Set-aside Balance Carried Forward to Future Fiscal Years	46,934	0	(87,733)
Set-aside Reserve Balance as of June 30, 2000	\$46,934	\$0	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$46,934.

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Advances	
	To Other Funds	From Other Funds
General Fund	\$65,000	\$0
Capital Projects Fund Permanent Improvement	0	65,000

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Delphos City School District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$233,425	\$47,124	\$280,549
Depreciation Expense	2,670	0	2,670
Operating Loss	(155,778)	(4,883)	(160,661)
Donated Commodities	35,036	0	35,036
Operating Grants	92,553	0	92,553
Operating Transfers	0	5,566	5,566
Net Income (Loss)	(26,963)	683	(26,280)
Fixed Assets Deletion	510	0	510
Net Working Capital	(38,309)	5,823	(32,486)
Total Assets	66,501	5,823	72,324
Total Equity	(8,306)	5,823	(2,483)

NOTE 17 - CONTRACTUAL OBLIGATIONS

As of June 30, 2000, the School District had the following contractual obligations:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining On Contract</u>
Ulms Incorporated	Middle School Parking Lot	\$190,219
Tesco	2 Bus Bodies	31,544
Inacom	21 Compaqs	29,404

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

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 public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys. 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 school districts.

The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors. The board of directors exercises total control over the operation of NOACSC including budgeting, appropriating, contracting and designating management. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Vantage Joint Vocational School - The Vantage Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School, Ella J. Jackson, who serves as Treasurer, at 818 North Franklin Street, Van Wert, Ohio 45891-1304.

West Central Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a governing board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer at the Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

West Central Ohio Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board which includes superintendents from all of the participating school districts, a non-public school, and the from Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

NOTE 19 - INSURANCE PURCHASING POOL

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

Each school district decides which plans offered the Board of Trustees will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Don Smith, who serves as Chairman, at 204 North Main Street, Lima, Ohio 45801.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 19 - INSURANCE PURCHASING POOL (Continued)

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program - The School District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

NOTE 20 - RELATED ORGANIZATION

Delphos Public Library - 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 does serve as the taxing authority and may issue tax related debt on behalf of the Library, 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. The School District has placed a .6 mill levy for operational purposes for the Library. Financial information can be obtained from the Delphos Public Library, James Weger, Clerk-Treasurer, at 309 West 2nd Street, Delphos, Ohio 45833.

NOTE 21 - SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,166,865 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts of the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 22 - CONTINGENCIES

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, 2000.

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DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Assets and Other Debits:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$733,846	\$223,100	\$67,211
Receivables:			
Taxes	3,286,713	0	263,073
Accounts	948	9,107	0
Intergovernmental	1,990	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	9,558	0	0
Prepaid Items	50,544	898	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	32,461	0	0
Intergovernmental	315	0	0
Advances to Other Funds	65,000	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided from			
General Government Resources	0	0	0
Total Assets and Other Debits	<u>\$4,181,375</u>	<u>\$233,105</u>	<u>\$330,284</u>
Liabilities, Fund Equity and Other Credits:			
Liabilities:			
Accounts Payable	\$67,664	\$30,441	\$0
Accrued Wages and Benefits	490,833	49,629	0
Compensated Absences Payable	47,835	0	0
Intergovernmental Payable	137,265	9,332	0
Deferred Revenue	3,075,371	0	254,052
Due to Students	0	0	0
Advances from Other Funds	0	0	65,000
General Obligation Bonds Payable	0	0	0
Total Liabilities	<u>3,818,968</u>	<u>89,402</u>	<u>319,052</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	76,388	69,003	43,084
Reserved for Inventory	9,558	0	0
Reserved for Advances	65,000	0	0
Reserved for Property Taxes	211,342	0	9,021
Reserved for Bus Purchases	9,236	0	0
Reserved for Budget Stabilization	23,225	0	0
Designation for Budget Stabilization	27,090	0	0
Unreserved (Deficit)	(59,432)	74,700	(40,873)
Total Fund Equity and Other Credits	<u>362,407</u>	<u>143,703</u>	<u>11,232</u>
Total Liabilities, Fund Equity, & Other Credits	<u>\$4,181,375</u>	<u>\$233,105</u>	<u>\$330,284</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$36,022	\$98,700	\$0	\$0	\$1,158,879
0	0	0	0	3,549,786
153	22	0	0	10,230
0	0	0	0	1,990
14,172	0	0	0	14,172
4,970	0	0	0	14,528
2,996	0	0	0	54,438
0	0	0	0	32,461
0	0	0	0	315
0	0	0	0	65,000
38,292	0	6,938,453	0	6,976,745
0	0	0	877,088	877,088
<u>\$96,605</u>	<u>\$98,722</u>	<u>\$6,938,453</u>	<u>\$877,088</u>	<u>\$12,755,632</u>
\$3,396	\$18,208	\$0	\$0	\$119,709
24,578	0	0	0	565,040
3,914	0	0	631,268	683,017
31,501	0	0	41,020	219,118
9,419	0	0	0	3,338,842
0	35,718	0	0	35,718
0	0	0	0	65,000
0	0	0	204,800	204,800
<u>72,808</u>	<u>53,926</u>	<u>0</u>	<u>877,088</u>	<u>5,231,244</u>
0	0	6,938,453	0	6,938,453
6,819	0	0	0	6,819
16,978	0	0	0	16,978
0	27,563	0	0	216,038
0	0	0	0	9,558
0	0	0	0	65,000
0	0	0	0	220,363
0	0	0	0	9,236
0	0	0	0	23,225
0	0	0	0	27,090
0	17,233	0	0	(8,372)
<u>23,797</u>	<u>44,796</u>	<u>6,938,453</u>	<u>0</u>	<u>7,524,388</u>
<u>\$96,605</u>	<u>\$98,722</u>	<u>\$6,938,453</u>	<u>\$877,088</u>	<u>\$12,755,632</u>

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Revenues:						
Taxes	\$3,393,772	\$0	\$0	\$258,817	\$0	\$3,652,589
Intergovernmental	2,477,796	638,009	0	33,718	0	3,149,523
Interest	57,436	10,493	0	0	0	67,929
Tuition and Fees	8,461	0	0	0	0	8,461
Extracurricular Activities	0	147,172	0	0	4,000	151,172
Gifts and Donations	630	2,600	0	0	63,498	66,728
Miscellaneous	122	0	0	0	0	122
Total Revenues	5,938,217	798,274	0	292,535	67,498	7,096,524
Expenditures:						
Current:						
Instruction:						
Regular	2,721,202	25,555	0	0	14,447	2,761,204
Special	272,662	139,309	0	0	0	411,971
Vocational	428,130	0	0	0	0	428,130
Other	126,294	0	0	0	0	126,294
Support Services:						
Pupils	202,278	84,599	0	0	1,072	287,949
Instructional Staff	163,457	13,979	0	0	0	177,436
Board of Education	20,025	0	0	0	0	20,025
Administration	459,789	3,844	0	0	0	463,633
Fiscal	193,820	6,092	0	6,215	0	206,127
Operation and Maintenance of Plant	687,647	449	0	0	22,294	710,390
Pupil Transportation	255,520	0	0	0	0	255,520
Central	1,161	0	0	0	0	1,161
Non-Instructional Services	0	428,708	0	0	0	428,708
Extracurricular Activities	167,339	55,190	0	0	0	222,529
Capital Outlay	15,333	0	0	263,783	0	279,116
Debt Service:						
Principal Retirement	0	0	64,700	0	0	64,700
Interest and Fiscal Charges	0	0	14,057	0	0	14,057
Total Expenditures	5,714,657	757,725	78,757	269,998	37,813	6,858,950
Excess of Revenues Over (Under) Expenditures	223,560	40,549	(78,757)	22,537	29,685	237,574
Other Financing Sources (Uses):						
Proceeds from the Sale of Fixed Assets	12,545	0	0	0	0	12,545
Operating Transfers In	16,260	457	78,757	0	0	95,474
Operating Transfers Out	(95,294)	(3,375)	0	(12,885)	(178)	(111,732)
Total Other Financing Sources (Uses)	(66,489)	(2,918)	78,757	(12,885)	(178)	(3,713)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	157,071	37,631	0	9,652	29,507	233,861
Fund Balances at Beginning of Year	206,621	106,072	0	1,580	15,289	329,562
Decrease in Reserve for Inventory	(1,285)	0	0	0	0	(1,285)
Fund Balances at End of Year	\$362,407	\$143,703	\$0	\$11,232	\$44,796	\$562,138

See accompanying notes to the general purpose financial statements

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$3,169,743	\$3,353,473	\$183,730	\$0	\$0	\$0
Intergovernmental	2,227,357	2,477,608	250,251	643,181	638,009	(5,172)
Interest	34,000	57,773	23,773	19,813	10,599	(9,214)
Tuition and Fees	6,500	8,406	1,906	0	0	0
Extracurricular Activities	0	0	0	153,274	146,818	(6,456)
Gifts and Donations	0	630	630	2,600	2,600	0
Miscellaneous	250	240	(10)	0	0	0
Total Revenues	5,437,850	5,898,130	460,280	818,868	798,026	(20,842)
Expenditures:						
Current						
Instruction:						
Regular	2,712,109	2,709,207	2,902	24,176	22,598	1,578
Special	270,522	269,592	930	152,821	138,392	14,429
Vocational	436,512	435,932	580	0	0	0
Other	98,971	96,669	2,302	0	0	0
Support Services:						
Pupils	199,693	189,987	9,706	111,975	97,169	14,806
Instructional Staff	167,250	164,962	2,288	22,229	17,301	4,928
Board of Education	18,428	18,412	16	0	0	0
Administration	464,589	456,200	8,389	8,236	5,679	2,557
Fiscal	205,942	193,015	12,927	5,257	5,257	0
Operation and Maintenance of Plant	795,613	767,187	28,426	449	449	0
Pupil Transportation	273,774	259,074	14,700	0	0	0
Central	1,240	1,240	0	0	0	0
Noninstructional Services	0	0	0	505,243	472,228	33,015
Extracurricular Activities	185,791	167,895	17,896	65,611	64,019	1,592
Capital Outlay	17,168	16,000	1,168	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	5,847,602	5,745,372	102,230	895,997	823,092	72,905
Excess of Revenues Over (Under) Expenditures	(409,752)	152,758	562,510	(77,129)	(25,066)	52,063
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	250	12,545	12,295	0	0	0
Refund of Prior Years Receipts	0	694	694	0	0	0
Advances In	145,000	181,000	36,000	25,000	32,000	7,000
Advances Out	(101,000)	(101,000)	0	(32,000)	(32,000)	0
Operating Transfers In	0	16,260	16,260	0	457	457
Operating Transfers Out	(95,294)	(95,294)	0	(3,375)	(3,375)	0
Total Other Financing Sources (Uses)	(51,044)	14,205	65,249	(10,375)	(2,918)	7,457
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(460,796)	166,963	627,759	(87,504)	(27,984)	59,520
Fund Balances at Beginning of Year	339,441	339,441	0	162,321	162,321	0
Prior Year Encumbrances Appropriated	139,866	139,866	0	35,997	35,997	0
Fund Balances at End of Year	\$18,511	\$646,270	\$627,759	\$110,814	\$170,334	\$59,520

See accompanying notes to the general purpose financial statements

Debt Service Funds			Capital Projects Fund			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$275,987	\$263,904	(\$12,083)	\$0	\$0	\$0
0	0	0	138,321	33,718	(104,603)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	4,000	4,000	0
0	0	0	0	0	0	68,600	63,498	(5,102)
0	0	0	0	0	0	0	0	0
0	0	0	414,308	297,622	(116,686)	72,600	67,498	(5,102)
0	0	0	0	0	0	14,555	14,304	251
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,340	1,072	268
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	7,000	6,215	785	0	0	0
0	0	0	0	0	0	50,000	50,000	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	508,881	492,412	16,469	0	0	0
64,700	64,700	0	0	0	0	0	0	0
14,057	14,057	0	0	0	0	0	0	0
78,757	78,757	0	515,881	498,627	17,254	65,895	65,376	519
(78,757)	(78,757)	0	(101,573)	(201,005)	(99,432)	6,705	2,122	(4,583)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	125,880	5,000	(120,880)	4,000	4,000	0
0	0	0	(85,000)	(85,000)	0	(4,000)	(4,000)	0
78,758	78,757	(1)	0	0	0	0	0	0
0	0	0	(12,885)	(12,885)	0	(178)	(178)	0
78,758	78,757	(1)	27,995	(92,885)	(120,880)	(178)	(178)	0
1	0	(1)	(73,578)	(293,890)	(220,312)	6,527	1,944	(4,583)
0	0	0	42,621	42,621	0	10,934	10,934	0
0	0	0	275,397	275,397	0	4,355	4,355	0
\$1	\$0	(\$1)	\$244,440	\$24,128	(\$220,312)	\$21,816	\$17,233	(\$4,583)

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
<u>Operating Revenues:</u>	
Sales	\$289,011
Total Operating Revenues	289,011
<u>Operating Expenses:</u>	
Salaries	137,820
Fringe Benefits	61,963
Purchased Services	3,638
Materials and Supplies	4,923
Cost of Sales	228,596
Depreciation	2,257
Total Operating Expenses	439,197
Operating Loss	(150,186)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	34,417
Interest	817
Federal and State Subsidies	96,040
Total Non-Operating Revenues	131,274
Net Loss Before Operating Transfers	(18,912)
Operating Transfers In	16,258
Net Loss	(2,654)
Retained Earnings at Beginning of Year	19,632
Retained Earnings at End of Year	16,978
Contributed Capital at Beginning of Year	4,744
Contributions from Other Funds	2,075
Contributed Capital at End of Year	6,819
Total Fund Equity at End of Year	\$23,797

See accompanying notes to the general purpose financial statements

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$289,118
Cash Payments to Suppliers for Goods and Services	(196,757)
Cash Payments to Employees for Services	(136,173)
Cash Payments for Employee Benefits	(58,582)
Net Cash Used for Operating Activities	(102,394)
Cash Flows from Noncapital Financing Activities:	
Advances In	60,000
Advances Out	(60,000)
Operating Transfers In	16,258
Operating Grants Received	96,040
Net Cash Provided by Noncapital Financing Activities	112,298
Cash Flows from Investing Activities:	
Cash Received from Interest	817
Net Increase in Cash and Cash Equivalents	10,721
Cash and Cash Equivalents at Beginning of Year	25,301
Cash and Cash Equivalents at End of Year	\$36,022
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$150,186)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	2,257
Donated Commodities Used During Year	34,417
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	102
Decrease in Inventory Held for Resale	3,803
Increase in Materials and Supplies Inventory	(11)
Increase in Prepaid Items	(1,120)
Increase in Accounts Payable	2,196
Increase in Accrued Wages and Benefits	3,547
Decrease in Compensated Absences Payable	(1,162)
Increase in Intergovernmental Payable	3,763
Net Cash Used for Operating Activities	(\$102,394)

Non-Cash Capital Financing Activities:

The general fund contributed fixed assets with a fair value of \$2,075 to the lunchroom enterprise fund.

See accompanying notes to the general purpose financial statements

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$295,442	\$289,118	(\$6,324)
Interest	0	659	659
Operating Grants	88,100	96,040	7,940
Total Revenues	<u>383,542</u>	<u>385,817</u>	<u>2,275</u>
Expenses:			
Salaries and Wages	136,198	136,173	25
Fringe Benefits	58,878	58,582	296
Purchased Services	4,549	4,546	3
Materials and Supplies	195,840	195,835	5
Capital Outlay	291	164	127
Total Expenses	<u>395,756</u>	<u>395,300</u>	<u>456</u>
Excess of Revenues Under Expenses	(12,214)	(9,483)	2,731
Operating Transfers In	6,258	16,258	10,000
Advances In	60,000	60,000	0
Advances Out	<u>(60,000)</u>	<u>(60,000)</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses, Transfers, and Advances	(5,956)	6,775	12,731
Fund Balance at Beginning of Year	24,992	24,992	0
Prior Year Encumbrances Appropriated	309	309	0
Fund Balance at End of Year	<u><u>\$19,345</u></u>	<u><u>\$32,076</u></u>	<u><u>\$12,731</u></u>

See accompanying notes to the general purpose financial statements

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Delphos City School District (the "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 statute and/or federal guidelines.

The School District is located in Allen and Van Wert Counties and includes all of the City of Delphos and portions of Washington and Marion Townships. It is staffed by 53 non-certificated employees, 79 certificated full-time teaching personnel and 6 administrative employees who provide services to 1,220 students and other community members. The School District currently operates 4 instructional buildings and 2 bus garages.

Reporting Entity:

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

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, Delphos St. John's School is operated through the Toledo Catholic Diocese; Delphos St. John's School is operated as a private school. Current State legislation provides funding to this parochial school. These moneys are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity of these State moneys by the School District are reflected in a special revenue fund for financial reporting purposes.

The School District is associated with four jointly governed organizations, two insurance pools, and one related organization. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, the Allen County Schools Health Benefit Plan, the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Delphos Public Library. These organizations are presented in Notes 18, 19, and 20 to the general purpose financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

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

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

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

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

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

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

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary fund types include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the enterprise or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

By no later than January 20, the Board-adopted budget is filed with the Allen County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

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 the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to non-negotiable certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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 1999 amounted to \$57,436, which includes \$13,032 assigned from other School District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of the enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the enterprise funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets, and to create a reserve for budget stabilization. See Note 14 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to thirty years.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

Special Revenue Fund

- Textbook Subsidy

Non-Reimbursable Grants

Special Revenue Funds

- Auxiliary Services
- Adult Vocational Education
- Professional Development Block Grant
- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Eisenhower Grant
- Drug-Free Schools
- Continuous Improvement Plan

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund

SchoolNet Plus
Vocational Education Equipment
Power Up

Reimbursable Grants

General Fund

Driver Education

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately forty-four percent of the School District's governmental operating revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

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 that 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 classified employees after one year of current service with the School District and for certified employees and administrators after one year of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year end are

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

considered not to have used current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate enterprise funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory of supplies and materials, advances, property taxes, budget stabilization, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

The School District designates a portion of fund equity to indicate tentative planned expenditures of financial resources. A fund balance designation has been established for the revenues set-aside for budget stabilization that exceeded the statutorily required amount.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Use of Estimates

The preparation of the 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.

Q. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY

At June 30, 1999, the nonpublic auxiliary services, education management information system, and Title VI B special revenue funds had deficit fund balances of \$7,963, \$13, and \$3,401, respectively. The deficits in the special revenue funds resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund type (GAAP basis).
4. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$157,071	\$37,631	\$9,652	\$29,507
Revenue Accruals	(35,835)	(2,038)	5,087	0
Expenditure Accruals	91,988	(10,840)	(185,546)	16,792
Unrecorded Cash at Fiscal Year	(4,205)	(716)	0	0
Prepays	(6,224)	29	0	0
Advances In	181,000	32,000	5,000	4,000
Advances Out	(101,000)	(32,000)	(85,000)	(4,000)
Encumbrances Outstanding				
At Year End (Budget Basis)	(115,832)	(52,050)	(43,083)	(44,355)
Budget Basis	\$166,963	(\$27,984)	(\$293,890)	\$1,944

Net Loss/Excess of Revenues Over Expenses, Transfers
and Advances
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$2,654)
Revenue Accrual	102
Expense Accrual	8,344
Unrecorded Cash at Fiscal Year End	(158)
Change in Material and Supply Inventory	(11)
Change in Inventory Held for Resale	3,803
Change in Prepaid Items	(1,120)
Advances In	60,000
Advances Out	(60,000)
Depreciation Expense	2,257
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(3,788)
Budget Basis	\$6,775

NOTE 5 - DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Board has identified as not required for use within the current two 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 moneys. Interim moneys are those moneys 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 pass book accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim moneys may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any Federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency services shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, 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.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$57,691) and the bank balance was \$50,000. Of the bank balance \$50,000 was covered by federal depository insurance.

Investments: GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the fair value and carrying amounts of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had an investment in a repurchase agreement with a fair value of \$1,249,031 as of June 30, 1999 and is classified in Category 3.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$96,054,400	77.73%	\$97,881,650	80.01%
Public Utility Personal	6,640,320	5.37%	6,457,790	5.28%
Tangible Personal Property	20,886,179	16.90%	17,911,620	14.71%
Total Assessed Value	<u>\$123,580,899</u>	<u>100.00%</u>	<u>\$122,251,060</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.15		\$42.75	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Allen and Van Wert Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$211,342 in the general fund and \$9,021 in the permanent improvement capital projects fund. The amounts available as an advance at June 30, 1998 were \$171,043 in the general fund and \$14,108 in the permanent improvement capital projects fund and are recognized as revenue in the general fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Drivers Education	\$1,800
Bureau of Workers' Compensation Refund	315
Other	190
Total General Fund	\$2,305

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$200,358
Less Accumulated Depreciation	(162,066)
Net Fixed Assets	\$38,292

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 8 - FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land, Buildings and Improvements	\$3,914,084	\$212,692	\$0	\$4,126,776
Furniture, Fixtures and Equipment	1,782,958	307,950	22,786	2,068,122
Vehicles	719,846	118,826	95,117	743,555
Construction in Progress	174,821	0	174,821	0
Totals	<u><u>\$6,591,709</u></u>	<u><u>\$639,468</u></u>	<u><u>\$292,724</u></u>	<u><u>6,938,453</u></u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for general liability, fleet insurance, and property insurance. Coverages provided by the various insurances are as follows:

Building and Contents - Replacement Cost (\$1,000 deductible)	\$22,642,582
Automobile Liability (\$500 deductible)	2,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000
Bus Garage (\$1,000 deductible)	429,700

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

The School District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 19). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

The School District participates in the Allen County Schools Health Benefit Plan (the Plan) (Note 19), a public entity shared risk pool consisting of the school districts within Allen County. 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. 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.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement benefits and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.79 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$49,481, \$59,841 and \$61,488, respectively; 35.8 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$31,756 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$204,090, \$331,835, and \$362,136, respectively; 82.8 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$35,148 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$272,120 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$68,940 during the 1999 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expense for health care at June 30, 1998, was \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 12 - EMPLOYEE BENEFITS (Continued)

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 48 days for all employees.

B. Health Care Benefits

The School District has elected to provide employee medical/surgical 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 employees depending on the terms of the union contract. Life insurance is provided through CoreSource. The School District also contributes to a Flexible Health Benefit Spending Account for each employee for medical expenses not covered by other health insurance.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
1990 Energy Conservation Improvement Bonds 6.75%	81,000	0	27,000	54,000
1992 Energy Conservation Improvement Bonds 5.6%	188,500	0	37,700	150,800
Intergovernmental Payable	43,168	41,020	43,168	41,020
Compensated Absences	520,449	110,819	0	631,268
Total General Long-Term Obligations	<u>\$833,117</u>	<u>\$151,839</u>	<u>\$107,868</u>	<u>\$877,088</u>

Energy Conservation Improvement Bonds - The School District issued general obligation bonds for energy conservation. The bonds were issued for a twenty year period with final maturity at December 1, 2000 for the 1990 bonds and December 1, 2002 for the 1992 bonds. The bonds will be retired from the debt service fund.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$10,797,795 with an unvoted debt margin of \$122,251 at June 30, 1999.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal Year Ended	Amount
2000	74,823
2001	70,889
2002	40,867
2003	38,756
Total	<u>\$225,335</u>

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 14 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$22,695	\$22,695
Current Year Set-aside Requirement	86,201	86,201	530	172,932
Current Year Offsets	(15,180)	(265,040)	0	(280,220)
Qualifying Disbursements	(289,327)	0	0	(289,327)
Total	<u><u>(\$218,306)</u></u>	<u><u>(\$178,839)</u></u>	<u><u>\$23,225</u></u>	<u><u>(\$373,920)</u></u>
Cash Carried Forward to Fiscal Year 2000	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$23,225</u></u>	<u><u>\$23,225</u></u>
Amount Restricted for Bus Purchases				9,236
Total Restricted Assets				<u><u>\$32,461</u></u>

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

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Advances	
	To Other Funds	From Other Funds
General Fund	\$65,000	\$0
Capital Projects Fund:		
Permanent Improvement	0	65,000
Total All Funds	<u><u>\$65,000</u></u>	<u><u>\$65,000</u></u>

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Delphos City School District as of and for the fiscal year ended June 30, 1999.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$235,469	\$53,542	\$289,011
Depreciation Expense	2,257	0	2,257
Operating Loss	(141,090)	(9,096)	(150,186)
Donated Commodities	34,417	0	34,417
Operating Grants	96,040	0	96,040
Operating Transfers	10,000	6,258	16,258
Net Income (Loss)	184	(2,838)	(2,654)
Fixed Assets Additions			
Additions	2,075	0	2,075
Net Working Capital	(15,721)	5,140	(10,581)
Total Assets	91,465	5,140	96,605
Total Equity	18,657	5,140	23,797
Encumbrances Outstanding at June 30, 1999 (Budget Basis)	3,788	0	3,788

NOTE 17 - CONTRACTUAL OBLIGATIONS

As of June 30, 1999, the School District had the following contractual obligations:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Robert J. Klosterman	Painting Gymnasiums	35,085
Inacom	Workstations and Computers	58,272

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

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 public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys. 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 school districts.

The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors. The board of directors exercises total control over the operation of NOACSC including budgeting, appropriating, contracting and designating management. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Vantage Joint Vocational School - The Vantage Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School, Ella J. Jackson, who serves as Treasurer, at 818 North Franklin Street, Van Wert, Ohio 45891-1304.

West Central Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a governing board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer at the Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

West Central Ohio Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board which includes superintendents from all of the participating school districts, a non-public school, and the from Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

NOTE 19 - INSURANCE PURCHASING POOL

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

Each school district decides which plans offered the Board of Trustees will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Don Smith, who serves as Chairman, at 204 North Main Street, Lima, Ohio 45801.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 19 - INSURANCE PURCHASING POOL (Continued)

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program - The School District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

NOTE 20 - RELATED ORGANIZATION

Delphos Public Library - 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 does serve as the taxing authority and may issue tax related debt on behalf of the Library, 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. The School District has placed a .6 mill levy for operational purposes for the Library. Financial information can be obtained from the Delphos Public Library, James Weger, Clerk-Treasurer, at 309 West 2nd Street, Delphos, Ohio 45833.

NOTE 21 - SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,080,286 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts of the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 21 - SCHOOL FUNDING (Continued)

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

NOTE 22 - CONTINGENCIES

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, 1999.

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Number	Catalog of Federal Assistance Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed through Ohio Department of Education						
Food Distribution Program		10.550	\$0	\$37,124	\$0	\$35,035
National School Lunch Program	043885-04-PU 2000	10.555	88,259	0	88,259	0
Total U.S. Department of Agriculture - Nutrition Cluster			88,259	37,124	88,259	35,035
U.S. DEPARTMENT OF EDUCATION						
Passed through Ohio Department of Education						
Title I, Part A, IASA	043885-C1-S1 1999	84.010	0	0	10,789	0
Title I, Part A, IASA	043885-C1-S1 2000	84.010	80,298	0	69,482	0
Total Title I			80,298	0	80,271	0
Title VI-B, Special Education Grants to States	043885 6B-SF 1999	84.027	0	0	4,098	0
	043885 6B-SF 2000	84.027	73,050	0	68,143	0
Total Title VI-B			73,050	0	72,241	0
Title VI, Innovative Education Program Strategies	043385-C2-S1 1999	84.298	1,434	0	1,546	0
	043885 C2-S1 2000	84.298	11,031	0	10,135	0
Total Title VI			12,465	0	11,681	0
Drug Free Grant	043885 DR-S1 1999	84.186		0	5,369	0
Drug Free Grant	043885 DR-S1 2000	84.186	9,332	0	5,165	0
Total Drug Free Grant			9,332	0	10,534	0
Eisenhower Professional Development State Grant	043885 MS-S1 1998	84.281	0	0	1,202	0
	043885 MS-S1 1999	84.281	0	0	2,858	0
	043885 MS-S1 2000	84.281	3,502	0	0	0
Total Eisenhower Professional Development State Grant			3,502	0	4,060	0
Goals 2000 Project Grant - Continuous Improvement	043885 G2-S2 1999	84.276	0	0	4,202	0
Total U.S. Department of Education			178,647	0	182,989	0
Total Federal Assistance			\$266,906	\$37,124	\$271,248	\$35,035

See accompanying notes to the schedule of federal awards expenditures

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--NUTRITION CLUSTER

Non monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Delphos City School District (the School District) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated November 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10202-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated November 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 21, 2000.

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

Jim Petro
Auditor of State

November 21, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of Delphos City School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

November 21, 2000

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster (CFDA# 10.550, 10.555) Title I (CFDA# 84.010)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A:> \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2000-10202-001

Ohio Rev. Code Section 5705.412 states no school district is supposed to: adopt any appropriation, make any contract, give any order to expend money or increase salary schedules during any school year without attaching a "412" certificate (see exceptions below). This certificate is to be signed by the treasurer, board president, and the superintendent. The certificate provides that the school district has in effect for the remainder of the fiscal year and the two succeeding fiscal years the authorization to levy taxes which, when combined with estimated revenue from all other sources available at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to operate an adequate educational program for all days in the current and succeeding fiscal year.

The certification must be attached to all negotiated agreements, contracts for benefits, increased salary or wage schedules, construction contracts, and other "significant" contracts. The School District did not attach the "412" certificate to the school bus purchase contract, negotiated agreement for certified employees, or contracts for benefits entered into during the audit period. As of November 13, 2000 the School District has attached the required certifications.

A school district needs to include the additional certification requirements under Section 5705.412 along with those requirements in Section 5705.41 except under the following circumstances: when issuing purchase orders; for current payrolls of, or contracts of employment with, regular employees or officers; or, when increasing the wages or salaries enabling the school board to comply with division (B) of Ohio Revised Code Section 3317.13, which addresses the minimum salary schedule for teachers. Further reference should be made to the Ohio Compliance Supplement.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
DECEMBER 19, 2000**