



Dave Yost • Auditor of State



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delphos City School District, Allen County, (the School District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Delphos City School District, Allen County, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures is 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 basic financial statements. The Schedule of Federal Awards Receipts and Expenditure is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 18, 2011

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

The discussion and analysis of Delphos City School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

**USING THIS ANNUAL REPORT**

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

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

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

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

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

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

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

**Government-Wide Financial Analysis**

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009.

<b>Table 1</b>			
<b>Net Assets</b>			
	<b>Governmental Activities</b>		
	<b>2010</b>	<b>2009</b>	<b>Change</b>
<b>Assets:</b>			
Current and Other Assets	\$5,488,463	\$5,342,351	\$146,112
Capital Assets, Net	4,226,371	4,140,180	86,191
<b>Total Assets</b>	<b>9,714,834</b>	<b>9,482,531</b>	<b>232,303</b>
<b>Liabilities:</b>			
Current and Other Liabilities	4,705,636	5,033,296	327,660
Long-Term Liabilities	549,724	556,592	6,868
<b>Total Liabilities</b>	<b>5,255,360</b>	<b>5,589,888</b>	<b>334,528</b>
<b>Net Assets:</b>			
Invested in Capital Assets	4,226,371	4,140,180	86,191
Restricted	1,039,292	764,269	275,023
Unrestricted (Deficit)	(806,189)	(1,011,806)	205,617
<b>Total Net Assets</b>	<b>\$4,459,474</b>	<b>\$3,892,643</b>	<b>\$566,831</b>

The increase in current and other assets can be attributed to two primary sources, an increase in intergovernmental receivables from additional grant resources received through the American Reinvestment and Recovery Act and property taxes receivable from an increase in assessed values. Current and other liabilities decreased from a reduction in the liability for health care costs.

Restricted net assets increased from the additional federal grants received through the American Reinvestment and Recovery Act. Unrestricted net assets increased from reducing staffing and extracurricular activities contracts within the General Fund.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009.

**Table 2  
Change in Net Assets**

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2010</b>	<b>2009</b>	
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	\$1,115,732	\$1,095,651	\$ 20,081
Operating Grants, Contributions, and Interest	2,247,605	1,686,459	561,146
Capital Grants and Contributions	4,970	78,833	(73,863)
Total Program Revenues	<u>3,368,307</u>	<u>2,860,943</u>	<u>507,364</u>
<b>General Revenues:</b>			
Property Taxes	4,334,569	4,351,644	(17,075)
Payment in Lieu of Taxes	38,562	41,959	(3,397)
Grants and Entitlements not Restricted to Specific Programs	3,968,720	3,773,330	195,390
Interest	21,522	29,094	(7,572)
Gifts and Donations		6,569	(6,569)
Miscellaneous	55,293	62,129	(6,836)
Total General Revenues	<u>8,418,666</u>	<u>8,264,725</u>	<u>153,941</u>
Total Revenues	<u>11,786,973</u>	<u>11,125,668</u>	<u>661,305</u>
<b>Expenses:</b>			
<b>Instruction:</b>			
Regular	4,791,417	4,625,900	(165,517)
Special	1,145,634	936,926	(208,708)
Vocational	518,981	465,988	(52,993)
Adult/Continuing	927	574	(353)
<b>Support Services:</b>			
Pupils	471,362	484,090	12,728
Instructional Staff	401,554	496,770	95,216
Board of Education	16,756	20,043	3,287
Administration	932,282	876,754	(55,528)
Fiscal	324,583	352,303	27,720
Operation and Maintenance of Plant	580,916	639,815	58,899
Pupil Transportation	494,554	481,538	(13,016)
Central	9,697	11,523	1,826
Non-instructional Services	1,174,792	1,164,065	(10,727)
Extracurricular Activities	356,687	406,721	50,034
Intergovernmental		10,963	10,963
Total Expenses	<u>11,220,142</u>	<u>10,973,973</u>	<u>(246,169)</u>
Increase in Net Assets	566,831	151,695	415,136
Net Assets at Beginning of Year	3,892,643	3,740,948	151,695
Net Assets at End of Year	<u>\$4,459,474</u>	<u>\$3,892,643</u>	<u>\$566,831</u>

Program revenues increased significantly in fiscal year 2010 from the additional federal grants received through the American Reinvestment and Recovery Act. The School District's program revenues include tuition and fees, charges for providing lunches to students, transportation services to other school districts, and grants for specified purposes. The majority of general revenues consisted of property taxes and unrestricted grants and entitlements. General revenues remained similar to fiscal year 2009; however, the School District had an increase in the tangible personal property reimbursement.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

For fiscal year 2010, the School District had twenty-seven pays which created increases in salary costs. Costs for providing instruction were approximately 58 percent of total expenses for the School District. Special education and vocational instruction expenses increased significantly. Special education costs increased from adding a teacher, two aides, a substitute, and costs associated with the Allen County Educational Service Center services formally paid from instructional staff support services. Vocational instruction costs increased for the change on how students were counted for vocational open enrollment in the satellite program at Vantage Career Center.

Support services includes costs associated with providing support to pupils and teachers, along with expenses relating to the administration, maintenance of buildings, and transportation of students. Instructional staff costs decreased from the costs associated with the Educational Service Center services which were reclassified to special education in fiscal year 2010. The administration costs increased from changes in the health care coverage selected by employees. Fiscal costs decreased from the change in accruals for compensated absences. Expenses for operation and maintenance of plant decreased from a reduction in purchases for the operation of the instructional buildings. Non-instructional expenses consist of food services and of costs associated with Delphos St. Johns parochial school. Extracurricular expenses decreased from the elimination of several supplemental contracts for sports and other extracurricular programs.

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

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
<b>Instruction:</b>				
Regular	\$ 4,791,417	\$4,625,900	\$4,017,883	\$3,894,911
Special	1,145,634	936,926	(131,506)	184,027
Vocational	518,981	465,988	461,586	395,889
Adult/Continuing	927	574	927	574
<b>Support Services:</b>				
Pupils	471,362	484,090	461,890	478,080
Instructional Staff	401,554	496,770	401,554	496,770
Board of Education	16,756	20,043	16,756	20,043
Administration	932,282	876,754	932,282	876,754
Fiscal	324,583	352,303	324,583	352,303
Operation and Maintenance of Plant	580,916	639,815	512,469	586,369
Pupil Transportation	494,554	481,538	443,078	446,120
Central	9,697	11,523	9,697	11,523
Non-instructional Services	1,174,792	1,164,065	170,152	117,672
Extracurricular Activities	356,687	406,721	230,484	241,032
Intergovernmental		10,963		10,963
<b>Total Expenses</b>	<b>\$11,220,142</b>	<b>\$10,973,973</b>	<b>\$7,851,835</b>	<b>\$8,113,030</b>

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

The School District generally provided for 67 percent of total instruction costs with property taxes and unrestricted grants and entitlements in fiscal year 2010. This was a 7 percent decrease from fiscal year 2009. In fiscal year 2010, the School District had received additional grant resources through the American Reinvestment and Recovery Act for special instruction. Several of the School District's programs receive substantial support through program revenues. For instance, special instruction received all of its funding through operating grants restricted to special education purposes. Non-instructional services provided for almost 86 percent of its costs through user charges from cafeteria sales, state and federal subsidies, and donated commodities for food service. The School District also receives a large amount of operating grants for the number of students receiving their education through the parochial school which is reported within non-instructional services. Over 35 percent of the School District's extracurricular activities costs were provided for through program revenues consisting of music and athletic fees, ticket sales, and gate receipts.

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the General Fund and the Permanent Improvement capital projects fund. The School District had a 44 increase in fund balance in the General Fund as a result from reducing the number of teachers and extracurricular supplemental contracts, along with transferring a portion of administrative costs paid by other governmental funds during fiscal year 2010.

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

**BUDGETARY HIGHLIGHTS**

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute. The School District's most significant budgeted fund is the General Fund. During fiscal year 2010, the School District amended its General Fund budget as needed.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets – Net capital assets increased slightly during fiscal year 2010 from improvements made to the instructional buildings and the purchase of computer equipment. Note 10 provides additional details regarding capital assets.

The School District's long-term obligations consisted of compensated absences. Note 16 provides additional details regarding these obligations.

**CURRENT ISSUES**

The School District is unique in that the public school has a population of approximately 1,100 students and the parochial school within the School District has a population of approximately 750 students, also made up of resident students. The significant number of students attending the parochial school reduces the School District's basic aid funding and other funding, such as parity aid. Therefore, the School District receives less State aid than other school districts with a similar student population.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

In fiscal year 2009, the School District entered into an agreement with Vantage Joint Vocational School to create a satellite location for the in-house vocational students to lower costs and allow the Joint Vocational School to collect more funding from the State. However, State funding calculations kept the students within the participating school districts' student counts and charged open enrollment costs to those same school districts to the Joint Vocational School at a higher amount than the per student basic rate. At the end of 2010, the costs associated with paying for open enrollment into this program continued to increase. The school districts involved with this program have been in communications with the Ohio Department of Education to correct the method in which the students are classified. The State will issue a corrective adjustment in December 2010.

The School District has developed a plan to give employees an incentive to move to the new high deductible health plan which would save the School District a minimum of \$59,000 if every insured employee used the maximum coverage and even more if they do not. The School District projects usage to be about 60 percent of the maximum. There was also a low deductible health plan provided effective January 1, 2010, that gives employees an option of three levels of insurance when the network plus coverage is eliminated January 1, 2012.

A proposed 1 percent income tax levy failed in the November 2010 election. In prior fiscal years, the School District had attempted to pass a 2.25 mill property tax levy in May 2009 and a 1.46 mill property tax levy in November 2009; both failed. The School District has continued to cut costs.

Current negotiated agreements will expire June 30, 2011. The Board of Education is currently determining additional budget cuts.

**REQUEST FOR INFORMATION**

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$808,654
Accounts Receivable	23,074
Intergovernmental Receivable	272,428
Prepaid Items	15,352
Inventory Held for Resale	24,439
Materials and Supplies Inventory	20,068
Property Taxes Receivable	4,285,886
Payment in Lieu of Taxes Receivable	38,562
Non-depreciable Capital Assets	126,685
Depreciable Capital Assets, Net	4,099,686
Total Assets	9,714,834
 <b>Liabilities:</b>	
Accrued Wages and Benefits Payable	745,000
Accounts Payable	55,592
Matured Compensated Absences Payable	67,223
Separation Benefits Payable	21,878
Intergovernmental Payable	281,813
Deferred Revenue	3,534,130
<b>Long-Term Liabilities:</b>	
Due Within One Year	35,139
Due in More Than One Year	514,585
Total Liabilities	5,255,360
 <b>Net Assets:</b>	
Invested in Capital Assets	4,226,371
<b>Restricted for:</b>	
Capital Projects	563,192
Other Purposes	476,100
Unrestricted (Deficit)	(806,189)
Total Net Assets	\$4,459,474

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT'  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Program Revenues</u>			Net (Expense) Revenue and Change in Net Assets	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$4,791,417	\$680,533	\$93,001		(\$4,017,883)
Special	1,145,634	42,402	1,234,738		131,506
Vocational	518,981		55,326	\$2,069	(461,586)
Adult/Continuing	927				(927)
<b>Support Services:</b>					
Pupils	471,362		9,472		(461,890)
Instructional Staff	401,554				(401,554)
Board of Education	16,756				(16,756)
Administration	932,282				(932,282)
Fiscal	324,583				(324,583)
Operation and Maintenance of Plant	580,916		68,447		(512,469)
Pupil Transportation	494,554	36,364	15,112		(443,078)
Central	9,697				(9,697)
Non-instructional Services	1,174,792	251,704	752,936		(170,152)
Extracurricular Activities	356,687	104,729	18,573	2,901	(230,484)
Total Governmental Activities	<u>\$11,220,142</u>	<u>\$1,115,732</u>	<u>\$2,247,605</u>	<u>\$4,970</u>	<u>(7,851,835)</u>
<b>General Revenues:</b>					
<b>Property Taxes Levied for:</b>					
					4,086,919
					247,650
					38,562
					3,968,720
					21,522
					55,293
Total General Revenues					<u>8,418,666</u>
					566,831
					<u>3,892,643</u>
					<u>\$4,459,474</u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	(\$111,598)	\$527,325	\$392,927	\$808,654
Accounts Receivable	22,451		623	23,074
Intergovernmental Receivable	30,944		241,484	272,428
Interfund Receivable	8,531			8,531
Prepaid Items	15,352			15,352
Inventory Held for Resale	3,667		20,772	24,439
Materials and Supplies Inventory	17,166		2,902	20,068
Property Taxes Receivable	4,049,609	236,277		4,285,886
Payment in Lieu of Taxes Receivable	38,562			38,562
Total Assets	<u>4,074,684</u>	<u>763,602</u>	<u>658,708</u>	<u>5,496,994</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accrued Wages and Benefits Payable	660,382		84,618	745,000
Accounts Payable	30,348	8,066	17,178	55,592
Matured Compensated Absences Payable	43,460		23,763	67,223
Intergovernmental Payable	235,664		46,149	281,813
Interfund Payable			8,531	8,531
Deferred Revenue	3,380,459	194,849	246,480	3,821,788
Total Liabilities	<u>4,350,313</u>	<u>202,915</u>	<u>426,719</u>	<u>4,979,947</u>
<b>Fund Balances:</b>				
Reserved for Property Taxes	707,712	41,428		749,140
Reserved for Bus Purchases	11,268			11,268
Reserved for Encumbrances	23,205	160	110,803	134,168
<b>Unreserved, Reported in:</b>				
General Fund (Deficit)	(1,017,814)			(1,017,814)
Special Revenue Funds			120,987	120,987
Capital Projects Funds		519,099	199	519,298
Total Fund Balances (Deficit)	<u>(275,629)</u>	<u>560,687</u>	<u>231,989</u>	<u>517,047</u>
Total Liabilities and Fund Balances	<u>\$4,074,684</u>	<u>\$763,602</u>	<u>\$658,708</u>	<u>\$5,496,994</u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010**

Total Governmental Fund Balances \$517,047

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

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported in the funds. 4,226,371

Other long-term assets are not available to pay for current  
period expenditures and, therefore, are deferred in the funds:

Intergovernmental Receivable	\$246,480	
Property Taxes Receivable	41,178	
		287,658

Some liabilities are not due and payable in the current  
period and, therefore, are not reported in the funds:

Compensated Absences Payable	(549,724)	
Separation Benefits Payable	(21,878)	
		(571,602)

Net Assets of Governmental Activities \$4,459,474

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Revenues:</b>				
Property Taxes	\$4,080,662	\$247,296		\$4,327,958
Payment in Lieu of Taxes	38,562			38,562
Intergovernmental	4,057,161	87,143	\$1,803,781	5,948,085
Interest	20,149		4,773	24,922
Tuition and Fees	759,299			759,299
Charges for Services			251,704	251,704
Extracurricular Activities			104,729	104,729
Gifts and Donations	1,968		90,345	92,313
Miscellaneous	3,671		51,622	55,293
Total Revenues	<u>8,961,472</u>	<u>334,439</u>	<u>2,306,954</u>	<u>11,602,865</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,572,623		133,052	4,705,675
Special	553,033		598,159	1,151,192
Vocational	529,558		2,423	531,981
Adult/Continuing			927	927
<b>Support Services:</b>				
Pupils	411,207		55,960	467,167
Instructional Staff	392,640		380	393,020
Board of Education	16,756			16,756
Administration	791,067		137,655	928,722
Fiscal	263,581	6,504	59,367	329,452
Operation and Maintenance of Plant	562,363		12,714	575,077
Pupil Transportation	439,076			439,076
Central	208		9,489	9,697
Non-instructional Services			1,150,020	1,150,020
Extracurricular Activities	211,894		138,008	349,902
Capital Outlay		278,484	962	279,446
Total Expenditures	<u>8,744,006</u>	<u>284,988</u>	<u>2,299,116</u>	<u>11,328,110</u>
Changes in Fund Balances	217,466	49,451	7,838	274,755
Fund Balances (Deficit) at Beginning of Year.	<u>(493,095)</u>	<u>511,236</u>	<u>224,151</u>	<u>242,292</u>
Fund Balances (Deficit) at End of Year	<u>(\$275,629)</u>	<u>\$560,687</u>	<u>\$231,989</u>	<u>\$517,047</u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Changes in Fund Balances - Total Governmental Funds \$274,755

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

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

Capital Contribution	\$2,901	
Depreciable Capital Assets	282,923	
Depreciation	<u>(199,324)</u>	
		86,500

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (309)

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

Property Taxes	6,611	
Intergovernmental	<u>174,596</u>	
		181,207

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

Compensated Absences Payable	6,868	
Separation Benefits Payable	<u>17,810</u>	
		<u>24,678</u>

Change in Net Assets of Governmental Activities \$566,831

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Revenues:</b>				
Property Taxes	\$3,782,089	\$3,862,089	\$3,808,075	(\$54,014)
Payment in Lieu of Taxes	42,000	42,000	38,562	(3,438)
Intergovernmental	4,310,877	4,310,877	4,078,294	(232,583)
Interest	25,000	25,000	20,063	(4,937)
Tuition and Fees	735,000	765,000	759,299	(5,701)
Gifts and Donations	3,000	3,000	1,968	(1,032)
Miscellaneous	16,000	16,000	1,964	(14,036)
Total Revenues	<u>8,913,966</u>	<u>9,023,966</u>	<u>8,708,225</u>	<u>(315,741)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,404,327	4,394,162	4,110,212	283,950
Special	532,897	533,279	567,031	(33,752)
Vocational	42,362	49,149	55,121	(5,972)
Other	797,750	869,750	1,059,266	(189,516)
<b>Support Services:</b>				
Pupils	438,992	442,702	420,810	21,892
Instructional Staff	401,364	401,561	394,582	6,979
Board of Education	30,587	30,587	19,288	11,299
Administration	777,824	782,824	804,130	(21,306)
Fiscal	337,557	213,682	287,961	(74,279)
Operation and Maintenance of Plant	561,087	561,087	585,730	(24,643)
Pupil Transportation	476,643	476,643	428,622	48,021
Central	715	715	208	507
Extracurricular Activities	208,136	208,136	220,234	(12,098)
Total Expenditures	<u>9,010,241</u>	<u>8,964,277</u>	<u>8,953,195</u>	<u>11,082</u>
Excess of Revenues Under Expenditures	<u>(96,275)</u>	<u>59,689</u>	<u>(244,970)</u>	<u>(304,659)</u>
<b>Other Financing Sources (Uses):</b>				
Advances In	105,000	105,000	56,449	(48,551)
Advances Out	(105,000)	(112,255)	(56,449)	55,806
Total Other Financing Sources (Uses)	<u>(7,255)</u>	<u>(7,255)</u>	<u>(7,255)</u>	<u>7,255</u>
Changes in Fund Balance	(96,275)	52,434	(244,970)	(297,404)
Fund Balance at Beginning of Year	92,296	92,296	92,296	
Prior Year Encumbrances Appropriated	16,027	16,027	16,027	
Fund Balance (Deficit) at End of Year	<u>\$12,048</u>	<u>\$160,757</u>	<u>(\$136,647)</u>	<u>(\$297,404)</u>

See accompanying notes to the basic financial statements.

DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,790	<u><u>\$58,837</u></u>
<b>Liabilities:</b>		
Due to Students	<u>                    </u>	<u><u>\$58,837</u></u>
<b>Net Assets:</b>		
Held in Trust for Students	<u><u>\$2,790</u></u>	

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Additions:**

Interest	
Gifts and Donations	\$4,790
Total Additions	

**Deductions:**

Non-instructional Services	<u>4,906</u>
Total Deductions	<u>4,906</u>

Change in Net Assets (116)

Net Assets at Beginning of Year 2,906

Net Assets at End of Year \$2,790

*See accompanying notes to the basic financial statements.*

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**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

The School District was established in 1862. The School District serves an area of approximately fifty-three square miles. It is located in Allen and Van Wert Counties, and includes all of the City of Delphos and portions of Marion and Washington Townships. The School District is the 444<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty classified employees, seventy-six certified teaching personnel, and nine administrative employees who provide services to 1,111 students and other community members. The School District currently operates four instructional buildings, two bus garages, and one administrative building.

**Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. As of June 30, 2010, there were no component units of the Delphos City School District.

The following activity is included within the reporting entity:

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

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

**2. Fund Financial Statements**

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's major funds are the General Fund and the Permanent Improvement capital projects fund.

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

**Permanent Improvement Fund** – The Permanent Improvement capital projects fund accounts for the acquisition, construction, or improvement of capital facilities.

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

**2. Fiduciary Funds**

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

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**2. Fund Financial Statements**

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

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

**1. Revenues – Exchange and Nonexchange Transactions**

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

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

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**2. Deferred Revenues**

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

Property taxes for which there was an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**3. Expenses/Expenditures**

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

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

**E. Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**F. Cash and Investments**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 was \$20,149, which includes \$12,288 assigned from other School District funds.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Capital Assets**

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

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

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	5 – 30 years
Buildings and Building Improvements	10 – 100 years
Improvements Other Than Buildings	30 years
Furniture, Fixtures, and Equipment	5 – 30 years
Vehicles	10 – 15 years

**J. Interfund Receivables/Payables**

On fund financial statements, unpaid amounts for interfund services provided are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**K. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of service with the School District.

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

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

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

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

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

**M. Net Assets**

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**N. Fund Balance Reserves**

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, bus purchases, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**O. Capital Contributions**

Capital contributions arise from outside contributions of capital assets.

**P. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

**Q. Estimates**

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

**3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS**

**A. Change in Accounting Principles**

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS (Continued)**

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

**B. Restatement of Net Assets**

In fiscal year 2010, the School District changed the accounting treatment applied to the receivable for payment in lieu of taxes. Based on guidance from GASB, this receivable is presently considered a non-exchange transaction and a one year receivable is being recorded. In prior years, this was considered an exchange transaction and the entire receivable was recognized in the initial year. The restatement had the following effect on net assets as previously reported.

	<b>Governmental Activities</b>
Net Assets at June 30, 2009	\$4,087,438
Payment in Lieu of Taxes Receivable	(194,795)
Restated Net Assets at June 30, 2009	\$3,892,643

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2010, the General Fund and the Food Service, OneNet Connectivity, IDEA B, Fiscal Stabilization, and Title II A special revenue funds had deficit fund balances of \$275,629, \$35,857, \$3,427, \$59,939, \$9,920, and \$88, respectively, resulting from adjustments for accrued liabilities.

**B. Compliance**

At June 30, 2010, the General Fund, and the Food Service and OneNet Connectivity special revenue funds had deficit cash balances, in the amount of \$103,067, \$5,104, and \$3,427, respectively.

The School District will monitor budgetary transactions to avoid this situation in the future.

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**5. BUDGETARY BASIS OF ACCOUNTING**

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

The major differences between the budget basis and the GAAP basis are as follows:

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

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

<b>Changes in Fund Balance</b>	
GAAP Basis	\$ 217,466
<b>Increase (Decrease) Due To:</b>	
<b>Revenue Accruals:</b>	
Accrued FY 2009, Received in Cash FY 2010	455,418
Accrued FY 2010, Not Yet Received in Cash	(708,579)
<b>Expenditure Accruals:</b>	
Accrued FY 2009, Paid in Cash FY 2010	(1,091,758)
Accrued FY 2010, Not Yet Paid in Cash	917,326
Cash on Hand at Beginning of Year	1,005
Cash on Hand at End of Year	(1,091)
Prepaid Items	(1,642)
Inventory Held for Resale	1,544
Materials and Supplies Inventory	(2,170)
Advances In	56,449
Advances Out	(56,449)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(32,489)
Budget Basis	(\$ 244,970)

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

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

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

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**7. RECEIVABLES**

Receivables at June 30, 2010, consisted of accounts (student fees and billings for user charged services), intergovernmental, interfund, property taxes, and payment in lieu of taxes receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
<b>Governmental Activities:</b>	
<b>General Fund:</b>	
Excess Cost Reimbursement	\$ 29,447
SERS Reimbursement	1,497
Total General Fund	30,944
<b>Other Governmental Funds:</b>	
Auxiliary Services	43,340
IDEA B	84,438
Title II D	388
Title I	113,318
Total Other Governmental Funds	241,484
Total Intergovernmental Receivables	\$272,428

**8. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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(Continued)**

**8. PROPERTY TAXES (Continued)**

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Allen and Van Wert Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$707,712 in the General Fund and \$41,428 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2009, was \$435,125 in the General Fund and \$25,616 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2010 taxes were collected are:

	<b>2009 Second- Half Collections</b>		<b>2010 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real	\$157,996,280	97.46%	\$162,979,490	97.44%
Public Utility	4,116,660	2.54	4,277,210	2.56
Total Assessed Value	<u>\$162,112,940</u>	<u>100.00%</u>	<u>\$167,256,700</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.40		\$47.40	

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
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**9. PAYMENT IN LIEU OF TAXES**

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

**10. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>
<b>Governmental Activities:</b>				
<b>Non-depreciable Capital Assets:</b>				
Land	\$ 126,685			\$ 126,685
<b>Depreciable Capital Assets:</b>				
Land Improvements	1,383,028			1,383,028
Buildings and Building Improvements	4,050,382	\$199,156		4,249,538
Improvements Other Than Buildings	20,930			20,930
Furniture, Fixtures, and Equipment	1,680,348	86,668	(\$3,090)	1,763,926
Vehicles	836,337			836,337
Total Depreciable Capital Assets	<u>7,971,025</u>	<u>285,824</u>	<u>(3,090)</u>	<u>8,253,759</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(999,267)	(19,079)		(1,018,346)
Buildings and Building Improvements	(1,552,187)	(52,379)		(1,604,566)
Improvements Other Than Buildings	(4,884)	(697)		(5,581)
Furniture, Fixtures, and Equipment	(1,041,218)	(76,635)	2,781	(1,115,072)
Vehicles	(359,974)	(50,534)		(410,508)
Total Accumulated Depreciation	<u>(3,957,530)</u>	<u>(199,324)</u>	<u>2,781</u>	<u>(4,154,073)</u>
Depreciable Capital Assets, Net	4,013,495	86,500	(309)	4,099,686
Governmental Activities Capital Assets, Net	<u>\$4,140,180</u>	<u>\$ 86,500</u>	<u>(\$ 309)</u>	<u>\$4,226,371</u>

During fiscal year 2010, the School District accepted contributions of capital assets with a fair value of \$2,901.

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**10. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$ 60,688
Special	4,534
Vocational	2,637
<b>Support Services:</b>	
Pupils	2,628
Instructional Staff	7,272
Administration	8,793
Fiscal	2,949
Operation and Maintenance of Plant	13,618
Pupil Transportation	51,033
Non-instructional Services	6,768
Extracurricular Activities	38,404
Total Depreciation Expense	\$199,324

**11. INTERFUND BALANCES**

At June 30, 2010, the General Fund had an interfund receivable, in the amount of \$8,531, from providing cash flow resources to other governmental funds.

**12. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted for the following insurance coverage.

Coverage purchased through the Netherlands Insurance Company is as follows:

General Liability	
Per Occurrence	\$2,000,000
Aggregate	4,000,000
Building and Contents	29,812,188
Automobile Liability	2,000,000

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

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

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**12. RISK MANAGEMENT (Continued)**

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

**13. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Funding Policy** – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$558,361, \$586,514, and \$617,397 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions for the DCP and CP for the fiscal year ended June 30, 2010, were \$8,370 made by the School District and \$5,978 made by plan members.

**B. School Employees Retirement System**

**Plan Description** – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$132,102, \$92,415, and \$94,769, respectively; 19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**14. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

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

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**14. POSTEMPLOYMENT BENEFITS (Continued)**

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$43,595, \$45,436, and \$47,588 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. School Employees Retirement System**

**Plan Description** – The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$25,105.

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

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$4,755, \$42,293, and \$43,246 respectively; 19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$7,856, \$7,625, and \$6,828 respectively; 19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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**15. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**C. Separation Benefits**

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

**16. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Long-Term Obligations					
Compensated Absences Payable	\$556,592	\$78,542	\$85,410	\$549,724	\$35,139

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

The School District's overall debt margin was \$14,669,812 with an unvoted debt margin of \$162,998 at June 30, 2010.

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(Continued)**

**17. SET ASIDES**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2009	(\$209,184)	
Current Year Set Aside Requirement	181,213	\$181,213
Qualifying Expenditures	(128,293)	
Current Year Offsets		(181,213)
Balance June 30, 2010	(\$156,264)	\$ 0

The School District had qualifying expenditures during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years.

**18. JOINTLY GOVERNED ORGANIZATIONS**

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

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2010, the School District paid \$16,292 to NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

**B. Vantage Career Center**

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**19. INSURANCE POOLS**

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

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

Each school district decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from the Allen County Educational Service Center, 204 North Main Street, Lima, Ohio 45801.

**B. Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**20. RELATED ORGANIZATION**

The Delphos Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Delphos City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. In March 2008, a five-year .6 mill levy was renewed for operational purposes. Collection of the property tax began in calendar year 2009. Financial information can be obtained from the Delphos Community Public Library, 309 West Second Street, Delphos, Ohio 45833.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**21. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2010.

**B. Litigation**

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

**22. MANAGEMENT'S PLANS REGARDING ACCUMULATED DEFICIT**

As indicated in the accompanying basic financial statements, the School District had an accumulated General Fund deficit of \$275,629 as of June 30, 2010. The General Fund also had a negative cash fund balance of \$103,067.

The School District is using the "Ed Jobs Grant" stimulus money as instructed all in the first year by paying 5 teacher salaries for the second semester, and essentially put a freeze on supply purchases that are not absolute necessary. The School District has accepted one retirement notice as of January 1, 2011, and is not going to replace that person for the second semester. Because of the failed levy, the School District will be cutting 3 more teaching positions, the transportation supervisor position, the safety service position, absorbing a shuttle bus into other existing positions, and establishing a pay to participate program for extra-curricular activities for 2012.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non Cash Receipts</b>	<b>Expenditures</b>	<b>Non Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
(Passed through Ohio Department of Education)					
<b>Child Nutrition Cluster:</b>					
Non -Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$29,732		\$29,732
Total Non-Cash Assistance			29,732		29,732
Cash Assistance:					
School Breakfast Program	10.553	\$17,662		\$17,662	
National School Lunch Program	10.555	199,972		199,972	
Total Cash Assistance		217,634		217,634	
Total Child Nutrition Cluster		217,634	29,732	217,634	29,732
Total U.S. Department of Agriculture		217,634	29,732	217,634	29,732
<b>U.S. DEPARTMENT OF EDUCATION</b>					
(Passed through Ohio Department of Education)					
Title I Cluster					
Title I, Grants to Local Educational Agencies	84.010	150,175		143,681	
<b>ARRA</b> Title I, Grants to Local Educational Agencies - Recovery Act	84.389	61,055		53,060	
Total Title I Cluster		211,230		196,741	
Special Education Cluster					
Special Education Grants to States	84.027	331,477		329,910	
<b>ARRA</b> Special Education Grants to States - Recovery Act	84.391	298,046		278,612	
Total Special Education Cluster		629,523		608,522	
Safe and Drug-Free Schools and Communities State Grants	84.186	4,402		6,690	
State Grants for Innovative Programs	84.298			380	
Education Technology State Grants	84.318	2,324		2,078	
Improving Teacher Quality State Grants	84.367	41,683		41,683	
<b>ARRA</b> State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	180,302		180,302	
Total U.S. Department of Education		1,069,464		1,036,396	
Total Federal Assistance		\$1,287,098	\$29,732	\$1,254,030	\$29,732

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delphos City School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 18, 2011.

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

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



**Dave Yost**  
Auditor of State

January 18, 2011



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Delphos City School District, Allen County, (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect School District's major federal program for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Delphos City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2010.

However, the results of other auditing procedures disclosed an instance of noncompliance with a federal program other than the School District's major federal program that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2010-02.

### Internal Control over Compliance

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-02 to be a material weakness.

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

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



**Dave Yost**  
Auditor of State

January 18, 2011

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (Special Education Grants to States; CFDA #84.027 and ARRA Special Education Grants to States – Recovery Act; CFDA #84.391)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2010-01**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.10(H)**, states that money paid into a fund must be used only for the purposes for which such fund has been established.

As a result, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. The following funds had negative cash fund balances at year-end. In addition, the Food Service and One Net Funds had negative fund balances for other months during the year.

<u>Fund</u>	<u>Amount</u>
001 – General	(\$103,067)
006 – Food Service	(5,104)
451 – One Net	(3,427)

Procedures should be developed to monitor fund balances and identify those funds that may potentially develop a negative balance. Advances should then be made from the General Fund to cover negative cash fund balances in other funds. When the General Fund balance is negative there may be no unrestricted funds available to cover negative balances in other funds. Therefore, the School District should monitor resources and appropriations within the General Fund and other funds to help assure that adequate resources exist to cover all individual fund obligations.

**OFFICIALS' RESPONSE:**

**Fund 451 – One Net** - I assume that there was a memo issued that told us of reductions to the One Net funds, but I missed it. After receiving \$4000 instead of \$8000 as expected they sent me an “additional allocation” in the spring. Since I had already paid my connectivity bill I called to ask if I was getting the other \$4000. I never got a reply or even instructed as to the memo. We received this year’s allocation of \$4000 and receipted it into the fund with the deficit. The resulting \$527.65 balance was put toward this year’s connectivity bill and the remainder was paid from the general fund.

**Fund 006 – Food Service** - This has been covered by the General fund in the past and obviously could not be this year. The food service director was instructed to cut \$16,000 from her expenditure budget for the current year. She took advantage of several retirements and a resignation and cut hours from each of the kitchens. She also put in place a charge policy to fight the abuse we have noticed of the point of sale system that was put in place. Now students who have two meals charged will receive and be charged for an alternate lunch that still meets state standards until their charge is paid. She is also scrutinizing inventory reports much closer and she is way ahead of last year and as long as revenue is maintained she will be able to finish this year in the black.

**Fund 001 – General** - The lack of a sufficient carryover balance has always been a problem and I began working with my Area 6 coordinator last spring on an issue about the funding of open enrollment students for fiscal year 2010. He collected our statement and the statements of other districts under his supervision and took them to the state.

**FINDING NUMBER 2010-01  
 (Continued)**

We received a negative adjustment for \$109,280.83 more being taken away on the August number 2 foundation payment but then we got a positive adjustment on the December number 2 payment of \$239,643.92. The net result is that we should have ended fiscal year 2010 with balance of \$14,937.09. We are using the “Ed Jobs Grant” stimulus money as instructed all in this first year by paying 5 teacher salaries for the second semester, and essentially put a freeze on supply purchases that are not absolute necessities. We accepted one retirement notice as of January 1, 2011 and are not going to replace that person for the second semester. Because of the failed levy we will be cutting 3 more teaching positions, the transportation supervisor position, the safety service position, absorbing a shuttle bus into other existing positions, and establishing pay to participate program for extra-curricular activities for 2012.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Noncompliance Citation / Questioned Costs / Material Weakness**

<b>Finding Number</b>	2010 -02
<b>CFDA Title and Number</b>	ARRA State Fiscal Stabilization Fund (SFSF) – Education State Grants – CFDA #84.394
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**2 CFR Part 225 Appendix A, Part (C)(1)(c)**, states, in part, that in order for a Federal program cost to be allowable under Federal awards, it must be authorized or not prohibited under State or local laws or regulations.

**Ohio Rev. Code Section 3313.24(B)** states that the board of education of each local, exempted village, or city school district shall fix the compensation of its treasurer, which shall be paid from the general fund of district.

The School District charged a portion of the Treasurer’s salary and related fringe benefits, in the amount of \$50,467, to the ARRA State Fiscal Stabilization Fund (SFSF) – Education State Grants.

Based on the facts documented above, questioned costs in the amount of \$50,467 are being issued.

The failure to charge to the grant only those expenditures that are allowable may result in a loss of federal funding which could impact the overall operations of the School District.

Prior to charging expenditures to a grant, the School District should review the grant agreement, the Uniform Administrative Requirements, and possibly consult with the grantor agency to help assure the expenditures are allowable for the grant. In addition, the School District should implement procedures to provide training and resources to those responsible for assuring compliance with the requirements of federal grants.

**OFFICIALS' RESPONSE:**

In the early meetings for the federal stimulus money we asked for examples of what we could not spend the money for. Probably because of it being part of the Ohio revised code they never listed Treasurer's salary and benefits. I was not aware of the section forbidding that. We have since stopped the practice, and reversed all transactions made in fiscal year 2011. The remainder of stimulus money is being used to offset the cost of the Superintendent and two principals for 2011. I have and will continue to check on questions with the auditor of states' office and my region 6 ODE representatives, as well as become more familiar with the ORC. Several times a year I attend training when available through OSBA or the Treasurer of States seminars to keep up with current laws and procedures.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
<b>2010-002</b>	<p><b>2 CFR Part 225 Appendix A, Part (C)(1)(c),</b>                      The School District will continue to check on questions with the Auditor of State office and the School District's Region 6 ODE representatives, as well as become more familiar with the Ohio Revised Code. Several times a year will attend training when available through Ohio School Boards Association or the Treasurer of State seminars to keep up with current laws and procedures.</p>	As soon as possible	Brad Rostorfer, Treasurer

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# Dave Yost • Auditor of State

**DELPHOS CITY SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 22, 2011**