



Dave Yost • Auditor of State

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delphos City School District, Allen County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Delphos City School District, Allen County, Ohio, as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3, the School District restated the net position for the Governmental Type Activities and restated the fund balance for the General Fund as of July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2015

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, all of the School District's activities are reported as governmental activities. All of the School District's programs and services are reported here, including instruction, support services, non-instructional services, extracurricular activities, and intergovernmental. 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, 2014
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 position for fiscal year 2014 and fiscal year 2013.

**Table 1
Net Position**

	Governmental Activities		
	2014	2013 (Restated)	Change
Assets:			
Current and Other Assets	\$5,965,872	\$5,850,701	\$115,171
Capital Assets, Net	4,546,151	4,353,061	193,090
Total Assets	<u>10,512,023</u>	<u>10,203,762</u>	<u>308,261</u>
Liabilities:			
Current and Other Liabilities	1,092,277	1,305,591	(213,314)
Long-Term Liabilities	551,319	554,289	(2,970)
Total Liabilities	<u>1,643,596</u>	<u>1,859,880</u>	<u>(216,284)</u>
Deferred Inflows of Resources	<u>3,872,762</u>	<u>3,841,809</u>	<u>30,953</u>
Net Position:			
Net Investment in Capital Assets	4,546,151	4,353,061	193,090
Restricted	802,243	804,998	(2,755)
Unrestricted (Deficit)	(352,729)	(655,986)	303,257
Total Net Position	<u>\$4,995,665</u>	<u>\$4,502,073</u>	<u>\$493,592</u>

There was a 9 percent increase in net position in fiscal year 2014. Current and other assets reflect an increase due to property tax collections available to the School District at fiscal year end. Net capital assets included improvements to various buildings capitalized in fiscal year 2014. The reduction in current and other liabilities related to payables outstanding in the prior fiscal year for building improvements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for fiscal year 2014 and fiscal year 2013.

**Table 2
Change in Net Position**

	Governmental Activities		Change
	2014	2013 (Restated)	
Revenues:			
Program Revenues:			
Charges for Services	\$1,090,423	\$1,066,197	\$24,226
Operating Grants, Contributions, and Interest	2,070,211	1,855,693	214,518
Capital Grants and Contributions		7,187	(7,187)
Total Program Revenues	3,160,634	2,929,077	231,557
General Revenues:			
Property Taxes	4,345,230	4,129,001	216,229
Payment in Lieu of Taxes	23,562	38,562	(15,000)
Grants and Entitlements not Restricted to Specific Programs	3,962,094	3,770,203	191,891
Interest	3,936	10,327	(6,391)
Gifts and Donations		1,626	(1,626)
Miscellaneous	52,579	71,321	(18,742)
Total General Revenues	8,387,401	8,021,040	366,361
Total Revenues	11,548,035	10,950,117	597,918
Expenses:			
Instruction:			
Regular	4,647,760	4,715,826	(68,066)
Special	1,501,199	1,257,130	244,069
Vocational	572,266	463,849	108,417
Support Services:			
Pupils	514,871	518,170	(3,299)
Instructional Staff	100,246	339,154	(238,908)
Board of Education	29,020	28,758	262
Administration	950,592	985,347	(34,755)
Fiscal	316,147	310,146	6,001
Operation and Maintenance of Plant	650,243	586,400	63,843
Pupil Transportation	442,036	449,227	(7,191)
Central	13,530	6,325	7,205
Non-instructional Services	944,326	1,018,254	(73,928)
Extracurricular Activities	362,065	350,745	11,320
Intergovernmental	10,142	68,226	(58,084)
Total Expenses	11,054,443	11,097,557	(43,114)
Increase (Decrease) in Net Position	493,592	(147,440)	
Net Position at Beginning of Year	4,502,073	4,649,513	
Net Position at End of Year	\$4,995,665	\$4,502,073	

Program revenues increased 8 percent in fiscal year 2014. The School District's program revenues include tuition and fees, charges for providing lunches to students, participation in school sports, transportation services to other school districts, and grants for specified purposes. Operating grants, contributions, and interest increased from the change in the State funding formula for special education.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The majority of general revenues consisted of property taxes and unrestricted grants and entitlements. Property tax revenues increased due to the early payment of property taxes and amounts being available for fiscal year 2014 expenditures. Unrestricted grants and entitlements increased from revenues received from the State's allocation of casino revenues, economic disadvantaged funding, and the change in the State funding formula.

Overall, expenses decreased slightly. Costs for providing instruction were approximately 61 percent of total expenses. Special instruction costs increased from the reclassification of instructional staff costs to special instruction with a corresponding decrease in the instructional staff program. Vocational instruction costs increased due to paying tuition for students who enrolled in vocational programs through Vantage Career Center.

Support services includes costs associated with providing support to pupils and teachers, along with expenses relating to the administration, maintenance of buildings, and transportation of students. Significant increases were noted in the operations and maintenance of plant and central programs. The increase in the operation and maintenance of plant program occurred from the expenses in natural and propane gas to heat the instructional buildings. Central support services experienced an increase from the cost of increased band width requirements for internet access.

Expenses for the non-instructional services program decreased from the retirement of food service personnel replaced with personnel at a lower rate of pay and the parochial school reducing costs funded by a grant.

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	
	2014	2013 (Restated)	2014	2013 (Restated)
Instruction:				
Regular	\$4,647,760	\$4,715,826	\$3,881,992	\$3,967,170
Special	1,501,199	1,257,130	436,682	373,237
Vocational	572,266	463,849	497,124	408,108
Support Services:				
Pupils	514,871	518,170	514,871	518,170
Instructional Staff	100,246	339,154	100,246	339,154
Board of Education	29,020	28,758	29,020	28,758
Administration	\$950,592	\$985,347	\$950,592	\$985,247
Fiscal	316,147	310,146	316,147	310,146
Operation and Maintenance of Plant	650,243	586,400	650,243	586,400
Pupil Transportation	442,036	449,227	386,678	388,343
Central	13,530	6,325	13,530	6,325
Non-instructional Services	944,326	1,018,254	(23,666)	45,709
Extracurricular Activities	362,065	350,745	130,208	143,487
Intergovernmental	10,142	68,226	10,142	68,226
Total Expenses	\$11,054,443	\$11,097,557	\$7,893,809	\$8,168,480

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The School District provided for 72 percent of total instruction costs with property taxes and unrestricted grants and entitlements in fiscal year 2014. Several of the School District's programs receive substantial support through program revenues. For instance, special instruction received 71 percent of its funding through operating grants restricted to special education purposes. Non-instructional services were fully supported through user charges from cafeteria sales, state and federal subsidies, and donated commodities for food service. The School District also receives a large amount of operating grants for the number of students receiving their education through the parochial school which is reported within non-instructional services. Due to the implementation of pay-to-play fees, 64 percent of the School District's extracurricular activities costs were provided for through these fees, along with program revenues consisting of music and athletic fees, ticket sales, and gate receipts.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the General Fund and the Permanent Improvement capital projects fund. The General Fund had a significant increase in fund balance. Property tax revenues increased due to the early payment of property taxes and amounts being available for fiscal year 2014 expenditures. Intergovernmental revenues increased from the change in the State funding formula. Expenditures increased 2 percent which was not a significant change.

Fund balance in the Permanent Improvement capital projects fund decreased by 25 percent. Cash carryover balances were used for building improvements.

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 2014, the School District amended its General Fund budget as needed.

For revenues, the increase from the original budget to the final budget related to additional State funding. The change from the final budget to actual revenues was not significant. For expenditures, the School District budgets at the object level for the General Fund. There was an increase from the original budget to the final budget related to the recalculation of salaries and to purchased services relating to tuition and utility costs. The change from the final budget to actual expenditures was not significant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At June 30, 2014, the School District had \$4,546,151 invested in capital assets (net of accumulated depreciation). The majority of the increase for building improvements relates to the brick resurfacing and the replacement of the high school roof in fiscal year 2014. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

The School District's long-term obligations consisted of compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

CURRENT ISSUES

The School District is unique in that the public school has a population of 1,145 students and the parochial school within the School District has a population of approximately 600 students, also made up of 526 resident students. The significant number of students attending the parochial school reduced the School District's basic funding under the State funding formula.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The School District is benefitting from the new State funding formula calculation introduced in the 2014-2015 biennial State budget. The School District has seen an increase in funding for the basic operating, economic disadvantaged, and special education categories.

For fiscal year 2015, the five-year forecast for the General Fund reflects an increase in revenues. A slight increase in property taxes is expected due to the expiration of two payment in lieu of taxes agreements. The State formula calculations provided by the Ohio Department of Education reflect an additional increase in State funding for the School District for fiscal year 2015. Expenditures for the General Fund will increase by bringing back a third grade teacher that had been cut in prior fiscal years and purchased services costs are expected to increase for tuition and utilities.

The School District was awarded a Straight A grant from the State, in the amount of \$511,535, for "Lets BRAG (Bring Robust Achievement Gains) about our schools". The grant will develop an app that will allow businesses to link with the School District and will be developed by The Ohio State University, will purchase chromebooks for every student in grades 6 to 12, will upgrade the wireless system and servers, and for other professional and extra IT services. The benefits of the grant will be extended down to the elementary grades by transferring the computers and network connections already in use by the middle and high schools to the elementary students.

REQUEST FOR INFORMATION

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,294,248
Accounts Receivable	1,054
Intergovernmental Receivable	162,408
Prepaid Items	19,290
Inventory Held for Resale	16,135
Materials and Supplies Inventory	10,762
Property Taxes Receivable	4,461,975
Non-depreciable Capital Assets	152,644
Depreciable Capital Assets, Net	4,393,507
Total Assets	10,512,023
Liabilities:	
Accrued Wages and Benefits Payable	675,873
Accounts Payable	77,068
Matured Compensated Absences Payable	50,891
Separation Benefits Payable	11,530
Intergovernmental Payable	276,915
Long-Term Liabilities:	
Due Within One Year	14,347
Due in More Than One Year	536,972
Total Liabilities	1,643,596
Deferred Inflows of Resources:	
Property Taxes	3,872,762
Net Position:	
Net Investment in Capital Assets	4,546,151
Restricted for:	
Capital Projects	379,089
Other Purposes	423,154
Unrestricted (Deficit)	(352,729)
Total Net Position	\$4,995,665

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Change in Net Position
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$4,647,760	\$648,759	\$117,009	(\$3,881,992)
Special	1,501,199	18,138	1,046,379	(436,682)
Vocational	572,266		75,142	(497,124)
Support Services:				
Pupils	514,871			(514,871)
Instructional Staff	100,246			(100,246)
Board of Education	29,020			(29,020)
Administration	950,592			(950,592)
Fiscal	316,147			(316,147)
Operation and Maintenance of Plant	650,243			(650,243)
Pupil Transportation	442,036	30,711	24,647	(386,678)
Central	13,530			(13,530)
Non-instructional Services	944,326	215,286	752,706	23,666
Extracurricular Activities	362,065	177,529	54,328	(130,208)
Intergovernmental	10,142			(10,142)
Total Governmental Activities	<u>\$11,054,443</u>	<u>\$1,090,423</u>	<u>\$2,070,211</u>	<u>(7,893,809)</u>
General Revenues:				
Property Taxes Levied for:				
General Purposes				4,104,732
Permanent Improvements				240,498
Payment in Lieu of Taxes				23,562
Grants and Entitlements not Restricted to Specific Programs				3,962,094
Interest				3,936
Miscellaneous				52,579
Total General Revenues				<u>8,387,401</u>
Change in Net Position				493,592
Net Position at Beginning of Year - Restated (Note 3)				<u>4,502,073</u>
Net Position at End of Year				<u>\$4,995,665</u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$532,263	\$370,328	\$391,657	\$1,294,248
Accounts Receivable	485		569	1,054
Intergovernmental Receivable	235		162,173	162,408
Prepaid Items	19,290			19,290
Inventory Held for Resale	4,916		11,219	16,135
Materials and Supplies Inventory	5,388		5,374	10,762
Property Taxes Receivable	4,216,252	245,723		4,461,975
Total Assets	<u>4,778,829</u>	<u>616,051</u>	<u>570,992</u>	<u>5,965,872</u>
Liabilities:				
Accrued Wages and Benefits Payable	650,191		25,682	675,873
Accounts Payable	32,349	23,960	20,759	77,068
Matured Compensated Absences Payable	49,715		1,176	50,891
Intergovernmental Payable	247,867		29,048	276,915
Total Liabilities	<u>980,122</u>	<u>23,960</u>	<u>76,665</u>	<u>1,080,747</u>
Deferred Inflows of Resources:				
Property Taxes	3,659,760	213,002		3,872,762
Unavailable Revenue	45,744	2,731	77,565	126,040
Total Deferred Inflows of Resources	<u>3,705,504</u>	<u>215,733</u>	<u>77,565</u>	<u>3,998,802</u>
Fund Balances:				
Non-spendable	24,678		5,374	30,052
Restricted	4,916	376,358	411,388	792,662
Assigned	244,013			244,013
Unassigned (Deficit)	(180,404)			(180,404)
Total Fund Balances	<u>93,203</u>	<u>376,358</u>	<u>416,762</u>	<u>886,323</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$4,778,829</u>	<u>\$616,051</u>	<u>\$570,992</u>	<u>\$5,965,872</u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total Governmental Fund Balances		\$886,323
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,546,151
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Intergovernmental Receivable	\$77,565	
Delinquent Property Taxes Receivable	<u>48,475</u>	
		126,040
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated Absences Payable	(551,319)	
Separation Benefits Payable	<u>(11,530)</u>	
		<u>(562,849)</u>
Net Position of Governmental Activities		<u><u>\$4,995,665</u></u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
Revenues:				
Property Taxes	\$4,111,810	\$240,893		\$4,352,703
Payment in Lieu of Taxes	23,562			23,562
Intergovernmental	4,482,079	59,850	\$1,493,739	6,035,668
Interest	4,176		1,089	5,265
Tuition and Fees	663,366			663,366
Charges for Services			216,286	216,286
Extracurricular Activities	106,682		104,089	210,771
Gifts and Donations	13,924		100,357	114,281
Miscellaneous	52,579			52,579
Total Revenues	<u>9,458,178</u>	<u>300,743</u>	<u>1,915,560</u>	<u>11,674,481</u>
Expenditures				
Current:				
Instruction:				
Regular	4,403,000		117,544	4,520,544
Special	1,058,209		434,787	1,492,996
Vocational	569,335			569,335
Support Services:				
Pupils	524,885		831	525,716
Instructional Staff	85,351		11,700	97,051
Board of Education	29,020			29,020
Administration	939,602		6,997	946,599
Fiscal	304,281	8,915		313,196
Operation and Maintenance of Plant	584,304		34,206	618,510
Pupil Transportation	401,161			401,161
Central	3,017		10,513	13,530
Non-instructional Services			961,558	961,558
Extracurricular Activities	184,290		147,695	331,985
Capital Outlay		423,225		423,225
Intergovernmental			10,142	10,142
Total Expenditures	<u>9,086,455</u>	<u>432,140</u>	<u>1,735,973</u>	<u>11,254,568</u>
Excess of Revenues Over (Under) Expenditures	371,723	(131,397)	179,587	419,913
Other Financing Source:				
Sale of Capital Assets		5,500		5,500
Changes in Fund Balances	371,723	(125,897)	179,587	425,413
Fund Balances (Deficit) at Beginning of Year - Restated (Note 3)	<u>(278,520)</u>	<u>502,255</u>	<u>237,175</u>	<u>460,910</u>
Fund Balances at End of Year	<u>\$93,203</u>	<u>\$376,358</u>	<u>\$416,762</u>	<u>\$886,323</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 STATE OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Changes in Fund Balances - Total Governmental Funds		\$425,413
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current fiscal year.</p>		
Nondepreciable Capital Assets	\$25,959	
Depreciable Capital Assets	368,324	
Depreciation	<u>(197,193)</u>	197,090
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets on the statement of activities resulting in a gain on the disposal of capital assets.</p>		
Proceeds from Sale of Capital Assets	(5,500)	
Gain on Disposal of Capital Assets	<u>1,500</u>	(4,000)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Delinquent Property Taxes	(7,473)	
Intergovernmental	<u>(118,973)</u>	(126,446)
<p>Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences Payable	2,970	
Separation Benefits Payable	<u>(1,435)</u>	<u>1,535</u>
Change in Net Position of Governmental Activities		<u><u>\$493,592</u></u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$3,958,000	\$3,958,000	\$3,916,818	(\$41,182)
Payment in Lieu of Taxes	24,000	24,000	23,562	(438)
Intergovernmental	3,902,623	4,422,616	4,481,979	59,363
Interest	10,570	10,570	4,382	(6,188)
Tuition and Fees	668,500	668,500	664,855	(3,645)
Extracurricular Activities	115,000	115,000	106,682	(8,318)
Gifts and Donations	9,050	13,388	13,924	536
Miscellaneous	60,300	60,300	66,161	5,861
Total Revenues	8,748,043	9,272,374	9,278,363	5,989
Expenditures:				
Current:				
Instruction:				
Regular	3,924,629	4,115,629	3,722,209	393,420
Special	940,699	940,699	1,072,152	(131,453)
Vocational	177,241	177,241	186,383	(9,142)
Other	929,806	1,088,806	1,105,967	(17,161)
Support Services:				
Pupils	446,447	446,447	472,408	(25,961)
Instructional Staff	106,200	106,200	96,013	10,187
Board of Education	33,741	33,741	30,011	3,730
Administration	899,030	899,030	944,344	(45,314)
Fiscal	298,710	298,710	303,873	(5,163)
Operation and Maintenance of Plant	552,801	552,801	618,340	(65,539)
Pupil Transportation	386,672	386,672	389,361	(2,689)
Central	265	265	2,967	(2,702)
Extracurricular Activities	136,838	136,838	149,797	(12,959)
Intergovernmental		7,000	12,000	(5,000)
Uniform School Supplies:				
Regular	34,000	34,000	27,578	6,422
Public School Support:				
Pupils	84,489	105,189	90,820	14,369
Student Activities:				
Extracurricular Activities	35,000	33,900	32,849	1,051
Total Expenditures	8,986,568	9,363,168	9,257,072	106,096
Changes in Fund Balance	(238,525)	(90,794)	21,291	112,085
Fund Balance at Beginning of Year	246,087	246,087	246,087	
Prior Year Encumbrances Appropriated	158,506	158,506	158,506	
Fund Balance at End of Year	\$166,068	\$313,799	\$425,884	\$112,085

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$4,500</u>	<u>\$48,016</u>
Liabilities:		
Undistributed Assets		2,408
Due to Students		45,608
Total Liabilities	<u> </u>	<u>\$48,016</u>
Net Position:		
Held in Trust for Students	<u>\$4,500</u>	

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Additions:

Gifts and Donations	<u>\$4,500</u>
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Deductions:

Non-instructional Services	<u>2,500</u>
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Change in Net Position	2,000
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Net Position at Beginning of Year	<u>2,500</u>
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Net Position at End of Year	<u><u>\$4,500</u></u>
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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, 2014**

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 432nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-five classified employees, seventy-four certified teaching personnel, and six administrative employees who provide services to 1,145 students and other community members. The School District currently operates four instructional buildings, two bus garages, and one administrative building.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. As of June 30, 2014, there were no component units of the Delphos City School District.

The following activity is included within the reporting entity:

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

The School District participates in two jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, Ohio School Plan, Allen County Schools Health Benefit Plan, Ohio Schools Council Workers' Compensation Group Rating Plan, and the Delphos Community Public Library. These organizations are presented in Notes 19, 20, and 21 to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The basic financial statements of Delphos City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

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, 2014
(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 reported in 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 and deferred inflows of resources is reported as fund balance. The School District's major funds are the General Fund and the Permanent Improvement capital projects fund.

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

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

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

2. Fiduciary Funds

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

C. Measurement Focus

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 inflows of resources, and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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 non-exchange 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, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The School District did not report any deferred outflows of resources for fiscal year 2014.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants and delinquent property taxes. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

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, 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.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 2014 was \$4,176, which includes \$1,670 assigned from other School District funds.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

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

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

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

J. Compensated Absences

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

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

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

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

K. 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.

L. Net Position

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

N. 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.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. RESTATEMENT OF FUND BALANCE/NET POSITION

At June 30, 2014, the School District had a liability related to a federal grant program that did not get reported. The restatement had the following effect on net position as it was previously reported.

	General	Permanent Improvement	Other Governmental	Total
Fund Balance June 30, 2013	(\$210,651)	\$502,255	\$237,175	\$528,779
Intergovernmental Payable	(67,869)			(67,869)
Adjusted Fund Balance June 30, 2013	(\$278,520)	\$502,255	\$237,175	\$460,910
		Total Governmental Activities		
Net Position at June 30, 2013		\$4,569,942		
Intergovernmental Payable		(67,869)		
Adjusted Net Position at June 30, 2013		\$4,502,073		

4. COMPLIANCE

For the fiscal year ended June 30, 2014, the General Fund fringe benefits and purchased services accounts had expenditures in excess of appropriations, in the amount of \$44,674 and \$98,733, respectively. The Treasurer will review expenditures to ensure they are within amounts appropriated.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Changes in Fund Balance	
GAAP Basis	\$371,723
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2013, Received in Cash FY 2014	331,447
Accrued FY 2014, Not Yet Received in Cash	(511,468)
Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(1,038,357)
Accrued FY 2014, Not Yet Paid in Cash	980,122
Cash on Hand at Beginning of Year	615
Cash on Hand at End of Year	(409)
Prepaid Items	(6,926)
Inventory Held for Resale	(265)
Materials and Supplies Inventory	779
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(105,970)
Budget Basis	\$21,291

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**DELPHOS CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above;
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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,238,279 of the School District's bank balance of \$1,488,279 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

7. RECEIVABLES

Receivables at June 30, 2014, consisted of accounts (student fees and billings for user charged services), intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
General Fund	
Medicaid	\$100
Workers' Compensation	135
Total General Fund	235
Other Governmental Funds	
IDEA B	5,563
Title I	156,610
Total Other Governmental Funds	162,173
Total Intergovernmental Receivables	\$162,408

8. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Allen and Van Wert Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2014, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2014, was \$510,748 in the General Fund and \$29,990 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2013, was \$315,756 in the General Fund and \$19,017 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$169,365,620	97.20%	\$169,424,140	97.08%
Public Utility	4,877,440	2.80%	5,101,390	2.92%
Total Assessed Value	<u>\$174,243,060</u>	<u>100.00%</u>	<u>\$174,525,530</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.40		\$47.40	

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, 2014, was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$126,685			\$126,685
Construction in Progress	163,735	\$25,959	(\$163,735)	25,959
Total Non-depreciable Capital Assets	<u>290,420</u>	<u>25,959</u>	<u>(163,735)</u>	<u>152,644</u>
Depreciable Capital Assets:				
Land Improvements	1,250,599			1,250,599
Buildings and Building Improvements	4,448,914	382,203		4,831,117
Improvements Other Than Buildings	20,930			20,930
Furniture, Fixtures, and Equipment	1,795,605	67,073		1,862,678
Vehicles	795,700	82,783	(94,405)	784,078
Total Depreciable Capital Assets	<u>8,311,748</u>	<u>532,059</u>	<u>(94,405)</u>	<u>8,749,402</u>

(Continued)

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. CAPITAL ASSETS (Continued)

	<u>Balance at 6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/14</u>
Less Accumulated Depreciation:				
Land Improvements	(724,676)	(26,559)		(751,235)
Buildings and Building Improvements	(1,770,003)	(64,103)		(1,834,106)
Improvements Other Than Buildings	(7,674)	(698)		(8,372)
Furniture, Fixtures, and Equipment	(1,253,237)	(60,318)		(1,313,555)
Vehicles	(493,517)	(45,515)	90,405	(448,627)
Total Accumulated Depreciation	<u>(4,249,107)</u>	<u>(197,193)</u>	<u>90,405</u>	<u>(4,355,895)</u>
Depreciable Capital Assets, Net	4,062,641	334,866	(4,000)	4,393,507
Governmental Activities Capital Assets, Net	<u>\$4,353,061</u>	<u>\$360,825</u>	<u>(\$167,735)</u>	<u>\$4,546,151</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$68,297
Special		5,703
Vocational		3,421
Support Services:		
Pupils		1,975
Instructional Staff		2,001
Administration		9,278
Fiscal		2,451
Operation and Maintenance of Plant		18,438
Pupil Transportation		45,515
Non-instructional Services		6,622
Extracurricular Activities		33,492
Total Depreciation Expense		<u>\$197,193</u>

11. RISK MANAGEMENT

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

During fiscal year 2014, the School District contracted for the following insurance coverage:

Coverage purchased through the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$4,000,000
Aggregate	6,000,000
Building and Contents	33,672,812
Automobile Liability	4,000,000

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

For fiscal year 2014, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. RISK MANAGEMENT (Continued)

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

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

12. OTHER PURCHASE COMMITMENTS

At fiscal year end, the significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 were as follows:

General Fund	\$105,970
Permanent Improvement Fund	120,819
Other Governmental Funds	<u>49,316</u>
Total	<u>\$276,105</u>

13. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$560,053 and \$7,528 for the fiscal year ended June 30, 2014, \$560,828 and \$7,321 for the fiscal year ended June 30, 2013, and \$457,408 and \$7,188 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$261 made by the School District and \$205 made by the plan members. In addition, member contributions of \$5,914 were made for fiscal year 2014 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$110,163, \$112,709, and \$116,425, respectively. For fiscal year 2014, 55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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, 2014, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

14. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$43,680, \$43,719, and \$35,761, respectively. For fiscal year 2014, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

**DELPHOS CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. POST-EMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 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 2014, this amount was \$20,250. For fiscal year 2014, the School District paid \$15,104 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 is \$1,177, \$1,377, and \$5,042, respectively. For fiscal year 2014, 55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 2014, 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, 2014, 2013, and 2012 was \$6,391, \$6,367, and \$6,875, respectively. For fiscal year 2014, 55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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. Accumulated unused vacation time is paid to classified employees and the superintendent upon termination of employment. Teachers do not earn vacation time.

**DELPHOS CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. OTHER EMPLOYEE BENEFITS (Continued)

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

B. Health Care Benefits

The School District offers employee medical and dental benefits through the Allen County Schools Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on the terms of the union contract. The School District provides life insurance and accidental death and dismemberment insurance to most employees through Dearborn National Life Insurance Company. The School District provides vision insurance through 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 2014 were as follows:

	<u>Balance at 6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/14</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Long-Term Obligations					
Compensated Absences Payable	\$554,289	\$40,347	\$43,317	\$551,319	\$14,347

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

The School District's overall debt margin was \$15,249,897 with an un-voted debt margin of \$169,443 at June 30, 2014.

17. FUND BALANCE

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

17. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Non-spendable for:				
Materials and Supplies Inventory	\$5,388		\$5,374	\$10,762
Prepaid Items	19,290			19,290
Total Nonspendable	<u>24,678</u>		<u>5,374</u>	<u>30,052</u>
Restricted for:				
Athletics and Music			50,729	50,729
Capital Improvements		\$376,358		376,358
Lunchroom			162,170	162,170
Non-Public Schools			99,023	99,023
Network Connectivity			4,167	4,167
Regular Instruction	4,916		4,119	9,035
Special Instruction			91,180	91,180
Total Restricted	<u>4,916</u>	<u>376,358</u>	<u>411,388</u>	<u>792,662</u>
Assigned for:				
Extracurricular Activities	51,170			51,170
Projected Budget Shortage	101,797			101,797
Unpaid Obligations	91,046			91,046
Total Assigned	<u>244,013</u>			<u>244,013</u>
Unassigned (Deficit)	<u>(180,404)</u>			<u>(180,404)</u>
Total Fund Balance	<u>\$93,203</u>	<u>\$376,358</u>	<u>\$416,762</u>	<u>\$886,323</u>

18. SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2014.

	<u>Capital Improvements</u>
Balance June 30, 2013	
Current Year Set Aside Requirement	\$181,957
Current Year Offsets	<u>(181,957)</u>
Balance June 30, 2014	<u>\$0</u>

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

19. 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 2014, the School District paid \$30,155 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 Joint Vocational School

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

20. INSURANCE POOLS

A. Ohio School Plan

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

B. Allen County Schools Health Benefit Plan

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

20. INSURANCE POOLS (Continued)

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.

C. Ohio Schools Council Workers' Compensation Group Rating Plan

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

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

21. RELATED ORGANIZATION

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

22. 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, 2014.

B. Litigation

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non Cash Receipts	Expenditures	Non Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non -Cash Assistance (Food Distribution)					
National School Lunch Program	10.555	<u>41,330</u>	<u>\$41,330</u>	<u>41,330</u>	<u>\$41,330</u>
Total Non-Cash Assistance			41,330		41,330
Cash Assistance:					
School Breakfast Program	10.553	\$27,612		\$27,612	
National School Lunch Program	10.555	<u>223,740</u>		<u>223,740</u>	
Total Child Nutrition Cluster		251,352	41,330	251,352	41,330
State Administrative Expenses for Child Nutrition	10.560			10	
Total Cash Assistance		<u>251,352</u>		<u>251,362</u>	
Total U.S. Department of Agriculture		251,352	41,330	251,362	41,330
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title I Grants to Local Educational Agencies	84.010	341,315		313,057	
School Improvement Sub. A Title 1	84.010	<u>12,772</u>			
Total Title I		354,087		313,057	
Special Education_ Grants to States	84.027	296,237		274,961	
Improving Teacher Quality State Grants	84.367	31,784		33,348	
Race to the Top Incentive Grants, Recovery Act	84.395	<u>15,787</u>		<u>15,319</u>	
Total U.S. Department of Education		<u>697,895</u>		<u>636,685</u>	
Total Federal Assistance		<u>\$949,247</u>	<u>\$41,330</u>	<u>\$888,047</u>	<u>\$41,330</u>

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

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's) 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 program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

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

NOTE E - PASS THROUGH FUNDS

The School District was awarded federal program allocations to be administered on their behalf by the Allen County Educational Service Center. For 2014 the School District's allocation was as follows:

Special Education Preschool Grants– CFDA# 84.173.....\$3,207



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delphos City School District, Allen County, (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 3, 2015. Also as discussed in Note 3, the School District restated the net position for the Governmental Type Activities and the fund balance for the General Fund as of July 1, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Delphos City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Delphos City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Special Education Grants to States

As described in finding 2014-001 in the accompanying schedule of findings, the School District did not comply with requirements regarding Cash Management applicable to its Special Education Grants to States major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

Qualified Opinion on Special Education Grants to States

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Grants to States* paragraph, the Delphos City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Grants to States for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Delphos City School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2014.

Other Matters

The School District's response to our noncompliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-001 to be a material weakness.

The School District's response to our internal control over compliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2015

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified – Child Nutrition Cluster Qualified - Special Education_Grants to State
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster CFDA #10.553 & 10.555 Special Education_Grants to State CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

1. Cash Management – Noncompliance/ Material Weakness

Finding Number	2014-001
CFDA Title and Number	Special Education_Grants to States CFDA #84.027
Federal Award Number / Year	2014
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

34 CFR 80.20 (b)(7), states that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on sub-grantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter of credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their sub-grantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

The School District received advance payments of Special Education Grant Funds from the Ohio Department of Education (ODE) via the CCIP Project Cash Request (PCR) forms. On January 7, 2014, the District received and posted a \$109,137 drawdown. The unspent balance remaining at 30 days was \$15,013. On April 3, 2014, the District received and posted a \$37,948 drawdown. The unspent balance remaining at 30 days was \$15,948. On June 3, 2014, the District received and posted a \$30,180 drawdown. The unspent balance remaining at 30 days was \$19,564.

Additionally, the project cash request dated October 25, 2013 had expenditures under reported in the 100 accounts by \$12,130 and 200 accounts by \$677.

Failure to follow the cash management rules established could result in loss of funding for the School District.

The School District should implement policies and procedures to provide that reports submitted are accurate and Federal funds are not accumulated, but rather, are spent as close as possible to the date of receipt.

Official's Response:

Our practice has always been to wait until the federal funds are spent into negative and then request the negative amount plus the 10% allowable request. We generally are requesting funds nearly every month, but there are a few months that the 10% is enough to meet the monthly needs. We will add an additional check to this process and instead of requesting the 10% we will request only the amount needed to cover payroll, as we will not be able to anticipate other expenditures a month in advance typically.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Non-Compliance Citation / Material Weakness 34 C.F.R. Part 300.203 – Level of Effort	Partially Corrected	Repeated as a management letter comment.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	Our practice has always been to wait until the federal funds are spent into negative and then request the negative amount plus the 10% allowable request. We generally are requesting funds nearly every month, but there are a few months that the 10% is enough to meet the monthly needs. We will add an additional check to this process and instead of requesting the 10% we will request only the amount needed to cover payroll, as we will not be able to anticipate other expenditures a month in advance typically.	December, 2014	Brad Rostorfer



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DELPHOS CITY SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 3, 2015**