



Dave Yost • Auditor of State

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

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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, 2015, 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, 2015, and the respective changes in financial position thereof 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 discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding 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*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Federal Awards 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 April 20, 2016, 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 "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

April 20, 2016

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Delphos City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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, 2015. 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 2015. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

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

Delphos City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the School District's net position for fiscal year 2015 and fiscal year 2014.

Table 1
Net Position

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2015</u>	<u>2014</u>	
<u>Assets</u>			
Current and Other Assets	\$6,292,646	\$5,965,872	\$326,774
Capital Assets, Net	4,311,220	4,546,151	(234,931)
Total Assets	<u>10,603,866</u>	<u>10,512,023</u>	<u>91,843</u>
<u>Deferred Outflows of Resources</u>			
Pension	861,991	686,169	175,822
<u>Liabilities</u>			
Current and Other Liabilities	1,164,078	1,092,277	71,801
Long-Term Liabilities			
Pension	11,780,409	14,007,453	(2,227,044)
Other Amounts	565,295	551,319	13,976
Total Liabilities	<u>13,509,782</u>	<u>15,651,049</u>	<u>(2,141,267)</u>

(continued)

Delphos City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		Change
	2015	2014	
<u>Deferred Inflows of Resources</u>			
Pension	\$2,143,931	\$0	\$2,143,931
Other Amounts	3,751,176	3,872,762	(121,586)
Total Deferred Inflows of Resources	<u>5,895,107</u>	<u>3,872,762</u>	<u>2,022,345</u>
<u>Net Position</u>			
Net Investment in Capital Assets	4,311,220	4,546,151	(234,931)
Restricted	843,596	802,243	41,353
Unrestricted (Deficit)	(13,093,848)	(13,674,013)	580,165
Total Net Position (Deficit)	<u>(\$7,939,032)</u>	<u>(\$8,325,619)</u>	<u>\$386,587</u>

During fiscal year 2015, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

Delphos City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

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

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

As a result of implementing GASB Statement No. 68, the School District is reporting a net pension liability and deferred outflows/inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$4,995,665 to (\$8,325,619).

The increase in current and other assets was primarily due to an increase in cash and cash equivalents. This increase was due, in part, to an increase in State funding and to the expiration of tax increment financing agreements which increased property tax revenue. These factors are also reflected in the increase in unrestricted net position. The decrease in net capital assets and the investment in capital assets is due to annual depreciation. The increase in current and other liabilities is largely related to the timing of payroll at the end of the fiscal year (an additional day was accrued in fiscal year 2015) and an increase in pay rates.

Delphos City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 reflects the change in net position for fiscal year 2015 and fiscal year 2014.

Table 2
Change in Net Position

	Governmental Activities		Change
	2015	2014	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,068,524	\$1,090,423	(\$21,899)
Operating Grants, Contributions, and Interest	2,544,315	2,070,211	474,104
Total Program Revenues	<u>3,612,839</u>	<u>3,160,634</u>	<u>452,205</u>
General Revenues			
Property Taxes	4,500,138	4,345,230	154,908
Payment in Lieu of Taxes	0	23,562	(23,562)
Grants and Entitlements not Restricted to Specific Programs	4,231,350	3,962,094	269,256
Interest	3,521	3,936	(415)
Gifts and Donations	15,954	0	15,954
Miscellaneous	94,861	52,579	42,282
Total General Revenues	<u>8,845,824</u>	<u>8,387,401</u>	<u>458,423</u>
Total Revenues	<u>12,458,663</u>	<u>11,548,035</u>	<u>910,628</u>
<u>Expenses</u>			
Instruction:			
Regular	5,346,913	4,647,760	699,153
Special	1,541,936	1,501,199	40,737
Vocational	599,359	572,266	27,093
Support Services:			
Pupils	569,068	514,871	54,197
Instructional Staff	147,558	100,246	47,312
Board of Education	44,462	29,020	15,442
Administration	881,313	950,592	(69,279)
Fiscal	306,765	316,147	(9,382)
Operation and Maintenance of Plant	577,609	650,243	(72,634)
Pupil Transportation	430,512	442,036	(11,524)
Central	160,771	13,530	147,241
Noninstructional Services	1,108,020	944,326	163,694
Extracurricular Activities	357,790	362,065	4,275
Intergovernmental	0	10,142	10,142
Total Expenses	<u>12,072,076</u>	<u>11,054,443</u>	<u>1,017,633</u>
Increase in Net Position	386,587	493,592	(107,005)
Net Position (Deficit) at Beginning of Year	(8,325,619)	n/a	
Net Position (Deficit) at End of Year	<u>(\$7,939,032)</u>	<u>(\$8,325,619)</u>	<u>\$386,587</u>

Delphos City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2015
 Unaudited

The information necessary to restate the fiscal year 2014 beginning balance and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$686,169 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the fiscal year 2015 statements report pension expense of \$491,388. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed.

Total 2015 Program Expenses under GASB Statement No. 68	\$12,072,076
Pension Expense under GASB Statement No. 68	(491,388)
2015 Contractually Required Contribution	750,323
Adjusted 2015 Program Expenses	12,331,011
Total 2014 Program Expenses under GASB Statement No. 27	(11,054,443)
Increase in Program Expenses not Related to Pension	\$1,276,568

Program revenues increased 14 percent in fiscal year 2015. 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 largely due to additional grant resources (Straight A grant).

The majority of general revenues consisted of property taxes and unrestricted grants and entitlements. Property tax revenues increased, in part, due to an increase in the assessed valuation of property and from the expiration of tax increment financing agreements. Unrestricted grants and entitlements increased from additional State funding.

Expenses increased over 11 percent. Instruction costs increased due to staffing changes and wage and benefit increases. There was also an increase in expenses associated with additional grant resources related to the Straight A grant.

Delphos City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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	
	2015	2014	2015	2014
Instruction:				
Regular	\$5,346,913	\$4,647,760	\$4,167,415	\$3,881,992
Special	1,541,936	1,501,199	478,588	436,682
Vocational	599,359	572,266	507,290	497,124
Support Services:				
Pupils	569,068	514,871	569,068	514,871
Instructional Staff	147,558	100,246	147,558	100,246
Board of Education	44,462	29,020	44,462	29,020
Administration	881,313	950,592	881,313	950,592
Fiscal	306,765	316,147	306,765	316,147
Operation and Maintenance of Plant	577,609	650,243	577,609	650,243
Pupil Transportation	430,512	442,036	384,391	386,678
Central	160,771	13,530	160,771	13,530
Noninstructional Services	1,108,020	944,326	122,988	(23,666)
Extracurricular Activities	357,790	362,065	111,019	130,208
Intergovernmental	0	10,142	0	10,142
Total Expenses	<u>\$12,072,076</u>	<u>\$11,054,443</u>	<u>\$8,459,237</u>	<u>\$7,893,809</u>

The School District provided for 69 percent of total instruction costs with property taxes and unrestricted grants and entitlements in fiscal year 2015. Several of the School District's programs receive substantial support through program revenues. For instance, special instruction received 67 percent of its funding through operating grants restricted to special education purposes. Almost 89 percent of noninstructional services were supported through user charges from cafeteria sales, state and federal subsidies, and donated commodities for food service. The School District also receives a large amount of operating grants for the number of students receiving their education through the parochial school which is reported within noninstructional services. Approximately 69 percent of the School District's extracurricular activities costs were provided for through participation fees, ticket sales, and gate receipts.

Delphos City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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. While there was an increase to both revenues and expenditures in the General Fund, the increase in fund balance was similar to that of the prior fiscal year.

Fund balance in the Permanent Improvement capital projects fund increased due to fewer improvements made during fiscal year 2015.

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 2015, the School District amended its General Fund budget as needed.

For revenues, there was no change from the original budget to the final budget and changes from the final budget to actual revenues were not significant. For expenditures, there was a 3 percent increase from the original budget to the final budget and a 3 percent decrease from the final budget to actual expenditures as final expenditures were more in line with the original budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At June 30, 2015, the School District had \$4,311,220 invested in capital assets (net of accumulated depreciation). Significant additions included new boiler controls and network switches. Disposals included sports equipment and a water heater. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

The School District's long-term obligations consisted of compensated absences and the net pension liability. 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 1,081 students and the parochial school within the School District has a population of 611 students, made up of around 500 resident students. The significant number of students attending the parochial school reduces the School District's basic funding under the State funding formula.

The School District is benefitting from the new State funding formula calculation introduced in the 2016-2017 biennial State budget. The School District has seen an increase in funding for the basic operating, economic disadvantaged, and special education categories, although it is seeing a decrease in the tangible personal property reimbursement.

Delphos City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

For fiscal year 2016, the five-year forecast for the General Fund reflects an expected increase in revenues. A slight increase in property taxes is expected due to the expiration of two tax increment financing 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 2017. Expenditures for the General Fund will increase by bringing back two teaching positions to replace cuts that had been made 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 that 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. Another State grant that the School District qualified for is the "last Mile grant" that will provide a hardwire from the ITC to the Landeck Elementary building.

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.

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Delphos City School District
Statement of Net Position
June 30, 2015

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,543,704
Accounts Receivable	623
Intergovernmental Receivable	134,253
Prepaid Items	36,183
Inventory Held for Resale	9,741
Materials and Supplies Inventory	14,662
Property Taxes Receivable	4,553,480
Nondepreciable Capital Assets	126,685
Depreciable Capital Assets, Net	4,184,535
 Total Assets	 10,603,866
<u>Deferred Outflows of Resources</u>	
Pension	861,991
<u>Liabilities</u>	
Accrued Wages and Benefits Payable	748,600
Accounts Payable	102,752
Matured Compensated Absences Payable	74,241
Separation Benefits Payable	17,345
Intergovernmental Payable	221,140
Long-Term Liabilities	
Due Within One Year	56,837
Due in More Than One Year	
Net Pension Liability	11,780,409
Other Amounts Due in More Than One Year	508,458
 Total Liabilities	 13,509,782
<u>Deferred Inflows of Resources</u>	
Property Taxes	3,751,176
Pension	2,143,931
 Total Deferred Inflows of Resources	 5,895,107
<u>Net Position</u>	
Net Investment in Capital Assets	4,311,220
Restricted for:	
Capital Projects	514,560
Other Purposes	329,036
Unrestricted (Deficit)	(13,093,848)
 Total Net Position (Deficit)	 (\$7,939,032)

See accompanying notes to the basic financial statements

Delphos City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities</u>				
Instruction:				
Regular	\$5,346,913	\$580,866	\$598,632	(\$4,167,415)
Special	1,541,936	31,032	1,032,316	(478,588)
Vocational	599,359	0	92,069	(507,290)
Support Services:				
Pupils	569,068	0	0	(569,068)
Instructional Staff	147,558	0	0	(147,558)
Board of Education	44,462	0	0	(44,462)
Administration	881,313	0	0	(881,313)
Fiscal	306,765	0	0	(306,765)
Operation and Maintenance of Plant				
Pupil Transportation	577,609	0	0	(577,609)
Central	430,512	27,392	18,729	(384,391)
Noninstructional Services	160,771	0	0	(160,771)
Extracurricular Activities	1,108,020	221,145	763,887	(122,988)
	357,790	208,089	38,682	(111,019)
Total Governmental Activities	<u>\$12,072,076</u>	<u>\$1,068,524</u>	<u>\$2,544,315</u>	<u>(8,459,237)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	4,251,798
Permanent Improvements	248,340
Grants and Entitlements not Restricted to Specific Programs	4,231,350
Interest	3,521
Gifts and Donations	15,954
Miscellaneous	94,861
Total General Revenues	<u>8,845,824</u>
Change in Net Position	386,587
Net Position (Deficit) at Beginning of Year - Restated (Note 3)	<u>(8,325,619)</u>
Net Position (Deficit) at End of Year	<u>(\$7,939,032)</u>

See accompanying notes to the basic financial statements

Delphos City School District

Balance Sheet
Governmental Funds
June 30, 2015

	General	Permanent Improvement	Other Governmental	Total
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$693,208	\$480,355	\$370,141	\$1,543,704
Accounts Receivable	338	0	285	623
Interfund Receivable	18,937	0	0	18,937
Intergovernmental Receivable	990	0	133,263	134,253
Prepaid Items	21,083	0	15,100	36,183
Inventory Held for Resale	0	0	9,741	9,741
Materials and Supplies Inventory	12,787	0	1,875	14,662
Property Taxes Receivable	4,304,078	249,402	0	4,553,480
Total Assets	<u>\$5,051,421</u>	<u>\$729,757</u>	<u>\$530,405</u>	<u>\$6,311,583</u>
<u>Liabilities</u>				
Accrued Wages and Benefits Payable	\$680,387	\$0	\$68,213	\$748,600
Accounts Payable	63,700	10,250	28,802	102,752
Matured Compensated Absences Payable	48,626	0	25,615	74,241
Interfund Payable	0	0	18,937	18,937
Intergovernmental Payable	196,493	0	24,647	221,140
Total Liabilities	<u>989,206</u>	<u>10,250</u>	<u>166,214</u>	<u>1,165,670</u>
<u>Deferred Inflows of Resources</u>				
Property Taxes	3,546,229	204,947	0	3,751,176
Unavailable Revenue	51,405	3,035	27,138	81,578
Total Deferred Inflows of Resources	<u>3,597,634</u>	<u>207,982</u>	<u>27,138</u>	<u>3,832,754</u>
<u>Fund Balances</u>				
Nonspendable	33,870	0	16,975	50,845
Restricted	0	511,525	332,536	844,061
Assigned	116,714	0	0	116,714
Unassigned (Deficit)	313,997	0	(12,458)	301,539
Total Fund Balances	<u>464,581</u>	<u>511,525</u>	<u>337,053</u>	<u>1,313,159</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$5,051,421</u>	<u>\$729,757</u>	<u>\$530,405</u>	<u>\$6,311,583</u>

See accompanying notes to the basic financial statements

Delphos City School District
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balances		\$1,313,159
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Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,311,220
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Intergovernmental Receivable	27,138	
Delinquent Property Taxes Receivable	54,440	
		81,578

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated Absences Payable	(565,295)	
Separation Benefits Payable	(17,345)	
		(582,640)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.		
Deferred Outflows - Pension	861,991	
Deferred Inflows - Pension	(2,143,931)	
Net Pension Liability	(11,780,409)	
		(13,062,349)

Net Position of Governmental Activities		(\$7,939,032)
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See accompanying notes to the basic financial statements

Delphos City School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Permanent Improvement	Other Governmental	Total
<u>Revenues</u>				
Property Taxes	\$4,246,137	\$248,036	\$0	\$4,494,173
Intergovernmental	4,801,017	60,300	1,870,558	6,731,875
Interest	3,521	0	903	4,424
Tuition and Fees	638,290	0	0	638,290
Charges for Services	0	0	222,145	222,145
Extracurricular Activities	96,975	0	111,114	208,089
Gifts and Donations	19,500	3,594	86,174	109,268
Miscellaneous	92,220	32	2,609	94,861
Total Revenues	9,897,660	311,962	2,293,503	12,503,125
<u>Expenditures</u>				
Current:				
Instruction:				
Regular	4,602,654	0	600,897	5,203,551
Special	1,318,122	0	278,959	1,597,081
Vocational	601,470	0	0	601,470
Support Services:				
Pupils	580,773	0	1,293	582,066
Instructional Staff	99,952	0	27,178	127,130
Board of Education	46,052	0	0	46,052
Administration	881,637	0	6,038	887,675
Fiscal	300,287	9,552	0	309,839
Operation and Maintenance of Plant	552,311	0	8,737	561,048
Pupil Transportation	364,050	0	0	364,050
Central	3,208	0	157,563	160,771
Noninstructional Services	0	0	1,132,082	1,132,082
Extracurricular Activities	175,766	0	160,465	336,231
Capital Outlay	0	167,243	0	167,243
Total Expenditures	9,526,282	176,795	2,373,212	12,076,289
Changes in Fund Balances	371,378	135,167	(79,709)	426,836
Fund Balances at Beginning of Year	93,203	376,358	416,762	886,323
Fund Balances at End of Year	<u>\$464,581</u>	<u>\$511,525</u>	<u>\$337,053</u>	<u>\$1,313,159</u>

See accompanying notes to the basic financial statements

Delphos City School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Changes in Fund Balances - Total Governmental Funds \$426,836

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

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

Depreciable Capital Assets	126,704	
Depreciation	<u>(329,364)</u>	(202,660)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities.		(32,271)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Delinquent Property Taxes	5,965	
Intergovernmental	<u>(50,427)</u>	(44,462)

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences Payable	(13,976)	
Separation Benefits Payable	<u>(5,815)</u>	(19,791)

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities.		(491,388)
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Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows and deferred inflows.		<u>750,323</u>
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Change in Net Position of Governmental Activities		<u><u>\$386,587</u></u>
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See accompanying notes to the basic financial statements

Delphos City School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		(Under)
<u>Revenues</u>				
Property Taxes	\$3,892,742	\$3,892,742	\$4,050,441	\$157,699
Intergovernmental	4,789,332	4,789,332	4,801,117	11,785
Interest	4,295	4,295	3,597	(698)
Tuition and Fees	641,000	641,000	638,489	(2,511)
Extracurricular Activities	70,000	70,000	96,975	26,975
Gifts and Donations	13,600	13,600	19,500	5,900
Miscellaneous	61,450	61,450	91,313	29,863
Total Revenues	9,472,419	9,472,419	9,701,432	229,013
<u>Expenditures</u>				
Current:				
Instruction:				
Regular	4,187,736	4,412,736	3,873,025	539,711
Special	1,245,493	1,465,493	1,273,051	192,442
Vocational	177,984	177,984	183,711	(5,727)
Other	1,081,240	1,081,240	1,160,691	(79,451)
Support Services:				
Pupils	492,056	492,056	509,276	(17,220)
Instructional Staff	101,965	101,965	94,138	7,827
Board of Education	29,020	29,020	49,791	(20,771)
Administration	856,142	856,142	887,256	(31,114)
Fiscal	305,725	305,725	303,892	1,833
Operation and Maintenance of Plant	519,691	519,691	614,367	(94,676)
Pupil Transportation	439,077	439,077	391,867	47,210
Central	273	273	3,258	(2,985)
Extracurricular Activities	164,979	164,979	174,176	(9,197)
Intergovernmental	0	56,000	55,869	131
Public School Support				
Pupils	80,460	104,860	76,844	28,016
Student Activities				
Extracurricular Activities	200	200	40	160
Total Expenditures	9,682,041	10,207,441	9,651,252	556,189
Changes in Fund Balance	(209,622)	(735,022)	50,180	785,202
Fund Balance at Beginning of Year	425,884	425,884	425,884	0
Prior Year Encumbrances Appropriated	105,970	105,970	105,970	0
Fund Balance at End of Year	\$322,232	(\$203,168)	\$582,034	\$785,202

See accompanying notes to the basic financial statements

Delphos City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$3,500	<u><u>\$51,397</u></u>
<u>Liabilities</u>		
Due to Students	<u>0</u>	<u><u>\$51,397</u></u>
<u>Net Position</u>		
Held in Trust for Students	<u><u>\$3,500</u></u>	

See accompanying notes to the basic financial statements

Delphos City School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

<u>Additions</u>	
Gifts and Donations	\$5,500
<u>Deductions</u>	
Noninstructional Services	<u>6,500</u>
Change in Net Position	(1,000)
Net Position at Beginning of Year	<u>4,500</u>
Net Position at End of Year	<u><u>\$3,500</u></u>

See accompanying notes to the basic financial statements

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1862. The School District serves an area of approximately fifty-three square miles. It is located in Allen and Van Wert Counties, and includes all of the City of Delphos and portions of Marion and Washington Townships. It is staffed by forty-three classified employees, seventy-six certified teaching personnel, and six administrative employees who provide services to 1,081 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, 2015, there were no component units of the Delphos City School District.

The following activity is included within the reporting entity:

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

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

The School District participates in two jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Vantage 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.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and explained in Note 13 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources includes property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 13 to the basic financial statements.

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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 2015 was \$3,521, which includes \$1,211 assigned from other School District funds.

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their 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:

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

J. Interfund Assets/Liabilities

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

Note 2 - Summary of Significant Accounting Policies (continued)

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

N. Fund Balance

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

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

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

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

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.

O. Pensions

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

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

P. Estimates

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

Note 3 - Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows and deferred inflows of resources, and pension expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported on June 30, 2014.

Net Position June 30, 2014	\$4,995,665
Net Pension Liability	(14,007,453)
Deferred Outflows - Payments Subsequent to Measurement Date	686,169
Restated Net Position June 30, 2014	<u>(\$8,325,619)</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred outflows or deferred inflows of resources as the information needed to generate these restatements was not available.

Note 4 - Accountability

At June 30, 2015, the Auxiliary Services and Title II-A special revenue funds had deficit fund balances, in the amount of \$12,431 and \$27, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 5 - Budgetary Basis of Accounting

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

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

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

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

Changes in Fund Balance	
GAAP Basis	\$371,378
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2014, Received in Cash FY 2015	511,468
Accrued FY 2015, Not Yet Received in Cash	(707,772)
Expenditure Accruals:	
Accrued FY 2014, Paid in Cash FY 2015	(980,122)
Accrued FY 2015, Not Yet Paid in Cash	989,206
Cash on Hand at Beginning of Year	409
Cash on Hand at End of Year	(333)
Prepaid Items	(1,793)
Inventory Held for Resale	4,916
Materials and Supplies Inventory	(7,399)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(129,778)
Budget Basis	\$50,180

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 - Deposits and Investments

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

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

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

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

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

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

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 - Deposits and Investments (continued)

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, \$1,466,747 of the School District's bank balance of \$1,716,747 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.

Note 7 - Receivables

Receivables at June 30, 2015, consisted of accounts (student fees and billings for user charged services), interfund, intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Allen County Educational Service Center	\$990
Other Governmental Funds	
Title I	52,258
Straight A	81,005
Total Other Governmental Funds	133,263
Total Intergovernmental Receivables	\$134,253

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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, 2015, are available to finance fiscal year 2015 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, 2015, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2015, was \$706,444 in the General Fund and \$41,420 in the Permanent Improvement capital projects fund. 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.

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.

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 8 - Property Taxes (continued)

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$169,424,140	97.08%	\$180,248,310	97.25%
Public Utility	5,101,390	2.92	5,101,170	2.75
Total Assessed Value	<u>\$174,525,530</u>	<u>100.00%</u>	<u>\$185,349,480</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.40		\$47.40	

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$126,685	\$0	\$0	\$126,685
Construction in Progress	25,959	0	(25,959)	0
Total Nondepreciable Capital Assets	<u>152,644</u>	<u>0</u>	<u>(25,959)</u>	<u>126,685</u>
Depreciable Capital Assets				
Land Improvements	1,250,599	0	0	1,250,599
Buildings and Building Improvements	4,831,117	220	0	4,831,337
Improvements Other Than Buildings	20,930	0	0	20,930
Furniture, Fixtures, and Equipment	1,862,678	126,484	(31,269)	1,957,893
Vehicles	784,078	0	0	784,078
Total Depreciable Capital Assets	<u>8,749,402</u>	<u>126,704</u>	<u>(31,269)</u>	<u>8,844,837</u>
Less Accumulated Depreciation				
Land Improvements	(751,235)	(38,625)	0	(789,860)
Buildings and Building Improvements	(1,834,106)	(93,274)	0	(1,927,380)
Improvements Other Than Buildings	(8,372)	(698)	0	(9,070)
Furniture, Fixtures, and Equipment	(1,313,555)	(142,303)	24,957	(1,430,901)
Vehicles	(448,627)	(54,464)	0	(503,091)
Total Accumulated Depreciation	<u>(4,355,895)</u>	<u>(329,364)</u>	<u>24,957</u>	<u>(4,660,302)</u>
Depreciable Capital Assets, Net	<u>4,393,507</u>	<u>(202,660)</u>	<u>(6,312)</u>	<u>4,184,535</u>
Governmental Activities Capital Assets, Net	<u>\$4,546,151</u>	<u>(\$202,660)</u>	<u>(\$32,271)</u>	<u>\$4,311,220</u>

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$171,598
Vocational	3,334
Support Services:	
Pupils	81
Instructional Staff	2,338
Administration	12,387
Operation and Maintenance of Plant	20,412
Pupil Transportation	70,478
Noninstructional Services	16,339
Extracurricular Activities	32,397
Total Depreciation Expense	<u>\$329,364</u>

Note 10 - Interfund

At June 30, 2015, the General Fund had an interfund receivable, in the amount of \$18,937, from other governmental funds for short-term loans made to those funds. All amounts are expected to be repaid within one year.

Note 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 2015, 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	34,682,997
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 2015, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 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.

Note 12 - Other Purchase Commitments

At fiscal year end, the significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2016 were as follows:

General Fund	\$129,778
Permanent Improvement Fund	67,887
Other Governmental Funds	58,533
Total	<u>\$256,198</u>

Note 13 - Defined Benefit Pension Plans

Net Pension Liability

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

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

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Defined Benefit Pension Plans (continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Age and service requirements for retirement are as follows.

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

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

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

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Defined Benefit Pension Plans (continued)

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining .82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$123,025 for fiscal year 2015. Of this amount, \$24,033 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307. The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Defined Benefit Pension Plans (continued)

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

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

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent on July 1, 2014, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$627,298 for fiscal year 2015. Of this amount, \$104,784 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,563,325	\$10,217,084	\$11,780,409
Proportion of the Net Pension Liability	.03089000%	.04200506%	
Pension Expense	\$91,229	\$400,159	\$491,388

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Defined Benefit Pension Plans (continued)

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$13,306	\$98,362	\$111,668
School District contributions subsequent to the measurement date	123,025	627,298	750,323
Total Deferred Outflows of Resources	\$136,331	\$725,660	\$861,991
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$253,732	\$1,890,199	\$2,143,931

\$750,323 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2016	(\$60,073)	(\$447,959)	(\$508,032)
2017	(60,073)	(447,959)	(508,032)
2018	(60,073)	(447,959)	(508,032)
2019	(60,207)	(447,960)	(508,167)
Total	(\$240,426)	(\$1,791,837)	(\$2,032,263)

Actuarial Assumptions - SERS

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

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

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Defined Benefit Pension Plans (continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2014, are presented below.

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

For postretirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00%</u>	

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Defined Benefit Pension Plans (continued)

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$2,230,401	\$1,563,325	\$1,002,257

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study effective July 1, 2012.

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Defined Benefit Pension Plans (continued)

The ten year expected real rate of return on pension plan investments was determined by the STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows.

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$14,626,870	\$10,217,084	\$6,487,889

Note 14 - Postemployment Benefits

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS' website at www.ohsers.org under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, .82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$15,638.

The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 was \$7,613, \$1,177, and \$1,377, respectively. For fiscal year 2015, 81.5 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System (STRS)

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

Note 14 - Postemployment Benefits (continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. 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 2015, STRS did not allocate any employer contributions to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$43,680, and \$43,719 respectively. The full amount has been contributed for all three fiscal years.

Note 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.

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.

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
Net Pension Liability					
STRS	\$12,170,524	\$0	\$1,953,440	\$10,217,084	\$0
SERS	1,836,929	0	273,604	1,563,325	0
Total Net Pension Liability	14,007,453	0	2,227,044	11,780,409	0
Compensated Absences Payable	551,319	49,756	35,780	565,295	56,837
Total Long-Term Obligations	<u>\$14,558,772</u>	<u>\$49,756</u>	<u>\$2,262,824</u>	<u>\$12,345,704</u>	<u>\$56,837</u>

The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 13 to the basic financial statements.

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 \$16,223,545 with an unvoted debt margin of \$180,262 at June 30, 2015.

Note 17 - Fund Balance

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

Fund Balance	General	Permanent Improvement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$12,787	\$0	\$1,875	\$14,662
Prepaid Items	21,083	0	15,100	36,183
Total Nonspendable	<u>33,870</u>	<u>0</u>	<u>16,975</u>	<u>50,845</u>

(continued)

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 17 - Fund Balance (continued)

Fund Balance	General	Permanent Improvement	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics and Music	\$0	\$0	\$40,060	\$40,060
Capital Improvements	0	511,525	0	511,525
Lunchroom	0	0	206,606	206,606
Network Connectivity	0	0	3,836	3,836
Regular Instruction	0	0	65,722	65,722
Special Instruction	0	0	16,312	16,312
Total Restricted	0	511,525	332,536	844,061
Assigned for:				
Extracurricular Activities	44,433	0	0	44,433
Unpaid Obligations	72,281	0	0	72,281
Total Assigned	116,714	0	0	116,714
Unassigned (Deficit)	313,997	0	(12,458)	301,539
Total Fund Balance	\$464,581	\$511,525	\$337,053	\$1,313,159

Note 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 2015.

	<u>Capital Improvements</u>
Balance June 30, 2014	\$0
Current Year Set Aside Requirement	182,062
Current Year Offsets	(182,062)
Balance June 30, 2015	<u>\$0</u>

Note 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 2015, the School District paid \$33,759 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.

Note 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.

Note 20 - Insurance Pools (continued)

B. Allen County Schools Health Benefit Plan

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

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

Note 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.

Delphos City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 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, 2015.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

C. Litigation

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

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.030890%	0.030890%
School District's Proportionate Share of the Net Pension Liability	\$1,563,325	\$1,836,929
School District's Covered Employee Payroll	\$840,939	\$860,374
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	185.90%	213.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.0420051%	0.0420051%
School District's Proportionate Share of the Net Pension Liability	\$10,217,084	\$12,170,524
School District's Covered Employee Payroll	\$4,321,246	\$4,370,377
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	236.44%	278.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$123,025	\$124,407	\$119,076	\$123,300
Contributions in Relation to the Contractually Required Contribution	<u>(123,025)</u>	<u>(124,407)</u>	<u>(119,076)</u>	<u>(123,300)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered Employee Payroll	\$933,421	\$840,939	\$860,374	\$916,732
Contributions as a Percentage of Covered Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$128,767	\$139,958	\$100,040	\$101,597	\$92,833	\$87,909
<u>(128,767)</u>	<u>(139,958)</u>	<u>(100,040)</u>	<u>(101,597)</u>	<u>(92,833)</u>	<u>(87,909)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,024,403	\$1,033,662	\$1,016,667	\$1,034,596	\$869,223	\$830,898
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$627,298	\$561,762	\$568,149	\$464,596
Contributions in Relation to the Contractually Required Contribution	<u>(627,298)</u>	<u>(561,762)</u>	<u>(568,149)</u>	<u>(464,596)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Employee Payroll	\$4,480,700	\$4,321,246	\$4,370,377	\$3,573,815
Contributions as a Percentage of Covered Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$559,661	\$565,221	\$586,514	\$617,397	\$613,690	\$588,931
<u>(559,661)</u>	<u>(565,221)</u>	<u>(586,514)</u>	<u>(617,397)</u>	<u>(613,690)</u>	<u>(588,931)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,305,085	\$4,347,854	\$4,511,646	\$4,749,208	\$4,720,692	\$4,530,238
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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)					
School Breakfast Program	10.553		\$3,340		\$3,340
National School Lunch Program	10.555		18,923		18,923
Total Non-Cash Assistance			22,263		22,263
Cash Assistance:					
School Breakfast Program	10.553	\$27,433		\$27,433	
National School Lunch Program	10.555	229,011		229,011	
Total Cash Assistance		256,444		256,444	
Total Child Nutrition Cluster		256,444	22,263	256,444	22,263
Total U.S. Department of Agriculture		256,444	22,263	256,444	22,263
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title I Grants to Local Educational Agencies	84.010	319,374		320,238	
Special Education_Grants to States	84.027	296,547		314,206	
Improving Teacher Quality State Grants	84.367	32,286		32,286	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	91		91	
Total U.S. Department of Education		648,298		666,821	
Total Federal Assistance		<u>\$904,742</u>	<u>\$22,263</u>	<u>\$923,265</u>	<u>\$22,263</u>

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 programs that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

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

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 2015, the School District's allocation was as follows:

Special Education Preschool Grants – CFDA #84.173.....\$3,210



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, 2015, 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 April 20, 2016, wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

April 20, 2016



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, 2015. 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 2015-001 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* federal program for the year ended June 30, 2015.

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, 2015.

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 2015-001 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.

Delphos City School District
Allen County
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
Page 3

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 20, 2016

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

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 – Title I Grants to Local Educational Agencies Qualified – Special Education_Grants to States
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010 Special Education_Grants to States – 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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

Noncompliance / Material Weakness - Cash Management

Finding Number	2015-001
CFDA Title and Number	#84.027 – Special Education_Grants to States
Federal Award Number / Year	2015
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 August 28, 2014, the District received and posted a \$35,490 drawdown requested for September. The unspent balance remaining at the end of September was \$14,961. On October 28, 2014, the District received and posted a \$98,216 drawdown requested for November. The unspent balance remaining at the end of November was \$14,124. On January 29, 2015, the District received and posted a \$61,516 drawdown requested for February. The unspent balance remaining at the end of February was \$3,257.

Also, we noted the project cash request dated October 23, 2014 over reported expenditures in the 100 accounts by \$6,528.

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: The process of the cash request has changed on the state's CCIP federal tracking system. To meet these new changes, the Treasurer has adjusted his process of requesting funds and now he only requests negative amounts and amounts to cover payrolls occurring within the next 5 days of the request.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Non-Compliance Citation / Material Weakness – 34 CFR 80.20 (b)(7) – Cash Management	No	Not Corrected, Repeated as Finding 2015-001

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The process of the cash request has changed on the state's CCIP federal tracking system. To meet these new changes, I have adjusted my process of requesting funds and now I only request negative amounts and amounts to cover payrolls occurring within the next 5 days of the request.	February 2016	Brad Rostorfer, Treasurer



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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
MAY 17, 2016**