



**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Delphos City School District
Allen County
227 North Jefferson Street
Delphos, Ohio 45883

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Delphos City School District, Allen County (the School District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Delphos City School District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

November 2, 2001

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Assets and Other Debits:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$823,289	\$260,669	\$242,305
Receivables:			
Taxes	3,713,063		287,927
Accounts	502	3,146	
Intergovernmental	66	1,807	15,873
Interfund	18,750		
Inventory Held for Resale			
Materials and Supplies Inventory	9,693		
Prepaid Items	82,676	173	
Advances to Other Funds	65,000		
Fixed Assets (Net, where applicable, of Accumulated Depreciation)			
Other Debits:			
Amount to be Provided from General Government Resources			
Total Assets and Other Debits	<u>4,713,039</u>	<u>265,795</u>	<u>546,105</u>
Liabilities, Fund Equity and Other Credits:			
Liabilities:			
Accounts Payable	23,903	24,316	29,849
Contracts Payable			57,912
Accrued Wages and Benefits	601,502	59,243	
Compensated Absences Payable	43,771		
Interfund Payable		3,750	
Intergovernmental Payable	143,125	8,934	18,000
Deferred Revenue	3,450,473		281,935
Due to Students			
Advances from Other Funds			65,000
General Obligation Bonds Payable			
Total Liabilities	<u>4,262,774</u>	<u>96,243</u>	<u>452,696</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved (Deficit)			
Fund Balance:			
Reserved for Encumbrances	23,182	25,633	107,144
Reserved for Inventory	9,693		
Reserved for Advances	65,000		
Reserved for Property Taxes	262,590		9,379
Unreserved (Deficit)	89,800	143,919	(23,114)
Total Fund Equity and Other Credits	<u>450,265</u>	<u>169,552</u>	<u>93,409</u>
Total Liabilities, Fund Equity, And Other Credits	<u>\$4,713,039</u>	<u>\$265,795</u>	<u>\$546,105</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$21,960	\$53,577			\$1,401,800
				4,000,990
35	1,120			4,803
				17,746
				18,750
23,465				23,465
93				9,786
7,022				89,871
				65,000
44,459		7,556,645		7,601,104
			745,225	745,225
<u>97,034</u>	<u>54,697</u>	<u>7,556,645</u>	<u>745,225</u>	<u>13,978,540</u>
	225			78,293
				57,912
34,048				694,793
6,304			630,931	681,006
15,000				18,750
31,809			38,894	240,762
8,931				3,741,339
	44,346			44,346
				65,000
			75,400	75,400
<u>96,092</u>	<u>44,571</u>		<u>745,225</u>	<u>5,697,601</u>
		7,556,645		7,556,645
18,618				18,618
(17,676)				(17,676)
				155,959
				9,693
				65,000
				271,969
	10,126			220,731
<u>942</u>	<u>10,126</u>	<u>7,556,645</u>		<u>8,280,939</u>
<u>\$97,034</u>	<u>\$54,697</u>	<u>\$7,556,645</u>	<u>\$745,225</u>	<u>\$13,978,540</u>

DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$3,513,000			\$279,706	\$3,792,706
Intergovernmental	2,776,997	724,223		96,997	3,598,217
Interest	77,237	11,850			89,087
Tuition and Fees	24,495	2,145			26,640
Extracurricular Activities		195,509			195,509
Gifts and Donations	3,988	31,895		6,056	41,939
Miscellaneous	16,046	901			16,947
Total Revenues	6,411,763	966,523		376,703	7,761,045
Expenditures:					
Current:					
Instruction:					
Regular	3,025,412	14,414			3,039,826
Special	320,094	95,416			415,510
Vocational	366,029				366,029
Other	178,816				178,816
Support Services:					
Pupils	217,242	86,562		393	304,197
Instructional Staff	257,206	24,191			281,397
Board of Education	17,273				17,273
Administration	527,244	10,465			537,709
Fiscal	214,738	5,479		6,390	226,607
Operation and Maintenance of Plant	577,817				577,817
Pupil Transportation	296,019				296,019
Central	1,529			18,000	19,529
Non-Instructional Services		593,923		2,000	595,923
Extracurricular Activities	197,170	109,539			306,709
Capital Outlay	17,667			346,259	363,926
Debt Service:					
Principal Retirement			64,700		64,700
Interest and Fiscal Charges			6,189		6,189
Total Expenditures	6,214,256	939,989	70,889	370,649	7,598,176
Excess of Revenues Over (Under) Expenditures	197,507	26,534	(70,889)	6,054	3,663
Other Financing Sources (Uses):					
Proceeds from the Sale of Fixed Assets	778				778
Operating Transfers In	23,193	3,373	70,889		97,455
Operating Transfers Out	(85,972)	(8,483)		(18,000)	(112,455)
Total Other Financing Sources (Uses)	(62,001)	(5,110)	70,889	(18,000)	(14,222)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	135,506	21,424		(11,946)	3,663
Fund Balances at Beginning of Year	313,276	148,128		105,355	573,222
Decrease in Reserve for Inventory	1,483				1,483
Fund Balances at End of Year	\$450,265	\$169,552	\$0	\$93,409	\$723,352

See accompanying notes to the general purpose financial statements.

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$3,306,857	\$3,553,551	\$246,694			
Intergovernmental	2,865,769	2,779,831	(85,938)	746,980	722,416	(24,564)
Interest	65,800	78,886	13,086	15,400	12,136	(3,264)
Tuition and Fees	3,000	24,527	21,527			
Extracurricular Activities				199,288	194,812	(4,476)
Gifts and Donations		3,988	3,988	44,895	31,895	(13,000)
Miscellaneous	700	15,586	14,886		675	675
Total Revenues	6,242,126	6,456,369	214,243	1,006,563	961,934	(44,629)
Expenditures:						
Current						
Instruction:						
Regular	3,096,432	3,034,421	62,011	22,479	18,488	3,991
Special	328,814	319,176	9,638	102,136	97,015	5,121
Vocational	389,105	364,336	24,769			
Other	165,441	165,441				
Support Services:						
Pupils	293,358	220,306	73,052	108,848	96,076	12,772
Instructional Staff	262,954	248,000	14,954	24,201	22,526	1,675
Board of Education	22,267	17,014	5,253			
Administration	546,821	522,914	23,907	15,163	10,619	4,544
Fiscal	239,141	229,721	9,420	5,000	4,876	124
Operation and Maintenance of Plant	648,892	609,085	39,807	20,000		20,000
Pupil Transportation	355,669	340,479	15,190			
Central	1,413	1,412	1			
Noninstructional Services				636,386	596,337	40,049
Extracurricular Activities	212,065	196,196	15,869	143,369	120,009	23,360
Capital Outlay	21,202	18,000	3,202			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	6,583,574	6,286,501	297,073	1,077,582	965,946	111,636
Excess of Revenues Over (Under) Expenditures	(341,448)	169,868	511,316	(71,019)	(4,012)	67,007
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	500	778	278			
Refund of Prior Years Receipts				(3,348)	(3,348)	
Advances In	115,000	90,250	(24,750)		43,750	43,750
Advances Out	(115,000)	(109,000)	6,000	(40,000)	(40,000)	
Operating Transfers In	81,060	23,193	(57,867)	3,290	3,373	83
Operating Transfers Out	(85,973)	(85,972)	1	(8,483)	(8,483)	
Total Other Financing Sources (Uses)	(4,413)	(80,751)	(76,338)	(48,541)	(4,708)	43,833
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(345,861)	89,117	434,978	(119,560)	(8,720)	110,840
Fund Balances at Beginning of Year	553,639	553,639		177,047	177,047	
Prior Year Encumbrances Appropriated	88,032	88,032		41,565	41,565	
Fund Balances(Deficits) at End of Year	\$295,810	\$730,788	\$434,978	\$99,052	\$209,892	\$110,840

See accompanying notes to the general purpose financial statements.

Debt Service Funds			Capital Projects Fund			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$277,585	\$278,425	\$840			
			70,856	84,511	13,655			
						5,350	6,056	706
			348,441	362,936	14,495	5,350	6,056	706
						900	393	507
			9,654	6,390	3,264			
						4,000	2,000	2,000
			542,890	542,605	285			
64,700	64,700							
6,189	6,189							
70,889	70,889		552,544	548,995	3,549	4,900	2,393	2,507
(70,889)	(70,889)		(204,103)	(186,059)	18,044	450	3,663	3,213
							250	250
						(250)	(250)	
	70,889	70,889	(18,000)	(18,000)				
	70,889	70,889	(18,000)	(18,000)		(250)		250
(70,889)		70,889	(222,103)	(204,059)	18,044	200	3,663	3,463
			9,114	9,114		6,463	6,463	
			215,490	215,490				
(\$70,889)	\$0	\$70,889	\$2,501	\$20,545	\$18,044	\$6,663	\$10,126	\$3,463

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Enterprise
Operating Revenues:	
Sales	\$302,277
Other	35
Total Operating Revenues	302,312
Operating Expenses:	
Salaries	144,586
Fringe Benefits	104,876
Purchased Services	2,454
Materials and Supplies	3,928
Cost of Sales	195,368
Depreciation	2,911
Total Operating Expenses	454,123
Operating Loss	(151,811)
Non-Operating Revenues	
Federal Donated Commodities	33,650
Interest	1,326
Federal and State Subsidies	93,461
Total Non-Operating Revenues	128,437
Net Loss Before Operating Transfers	(23,374)
Operating Transfers In	15,000
Net Loss	(8,374)
Retained Earnings (Deficit) at Beginning of Year	(9,302)
Retained Earnings (Deficit) at End of Year	(17,676)
Contributed Capital at Beginning of Year	6,819
Contributions from Other Funds	11,799
Contributed Capital at End of Year	18,618
Total Fund Equity at End of Year	\$942

See accompanying notes to the general purpose financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$318,350	\$302,477	(\$15,873)
Interest	1,500	1,312	(188)
Operating Grants	84,000	93,461	9,461
Total Revenues	<u>403,850</u>	<u>397,250</u>	<u>(6,600)</u>
Expenses:			
Salaries and Wages	150,582	143,853	6,729
Fringe Benefits	99,430	99,351	79
Purchased Services	4,170	2,454	1,716
Materials and Supplies	175,045	171,122	3,923
Capital Outlay	350	65	285
Total Expenses	<u>429,577</u>	<u>416,845</u>	<u>12,732</u>
Excess of Revenues Under Expenses	(25,727)	(19,595)	6,132
Other Financing Sources (Uses):			
Operating Transfers In	10,000	15,000	5,000
Advances In	57,150	65,000	7,850
Advances Out	(50,000)	(50,000)	0
Total Other Financing Sources (Uses)	<u>17,150</u>	<u>30,000</u>	<u>12,850</u>
Excess of Revenues Over (Under) Expenses, Transfers, and Advances	(8,577)	10,405	18,982
Fund Balance at Beginning of Year	8,648	8,648	0
Fund Balance at End of Year	<u><u>\$71</u></u>	<u><u>\$19,053</u></u>	<u><u>\$18,982</u></u>

See accompanying notes to the general purpose financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$302,477
Cash Payments to Suppliers for Goods and Services	(170,798)
Cash Payments to Employees for Services	(143,853)
Cash Payments for Employee Benefits	(99,351)
Net Cash Used for Operating Activities	(111,525)
 Cash Flows from Noncapital Financing Activities:	
Advances In	65,000
Advances Out	(50,000)
Operating Transfers In	15,000
Operating Grants Received	93,461
Net Cash Provided by Noncapital Financing Activities	123,461
 Cash Flows from Investing Activities:	
Cash Received from Interest	1,326
Cash Received from Interest	1,326
Decrease in Cash and Cash Equivalents	13,262
Cash and Cash Equivalents at Beginning of Year	8,698
Cash and Cash Equivalents at End of Year	\$21,960
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$151,811)
 Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	2,911
Donated Commodities Used During Year	33,650
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	268
Increase in Inventory Held for Resale	(2,767)
Increase in Materials and Supplies Inventory	(34)
Increase in Prepaid Items	(2,603)
Increase in Accrued Wages and Benefits	5,876
Increase in Compensated Absences Payable	736
Increase in Intergovernmental Payable	2,249
Net Cash Used for Operating Activities	(\$111,525)

Non-Cash Capital Transactions:

The permanent improvement capital projects fund purchased \$11,799 in equipment for the lunchroom enterprise fund.

See accompanying notes to the general purpose financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in Allen and Van Wert Counties and includes all of the City of Delphos and portions of Washington and Marion Townships. It is staffed by 54 non-certificated employees, 80 certificated full-time teaching personnel and 6 administrative employees who provide services to 1,100 students and other community members. The School District currently operates 4 instructional buildings and 2 bus garages.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The following activities are included within the reporting entity:

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

The School District is associated with four jointly governed organizations, two insurance pools, and one related organization. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, the Allen County Schools Health Benefit Plan, the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Delphos Public Library. These organizations are presented in Notes 19, 20, and 21 to the general purpose financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

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

Capital Projects Fund

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

2. Proprietary Fund Types:

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

Enterprise Funds

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

3. Fiduciary Fund Types:

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

4. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

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

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

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

1. Tax Budget:

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

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

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations:

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

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

4. Encumbrances:

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

5. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2001, investments were limited to non-negotiable certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$77,237, which includes \$12,751 assigned from other School District funds.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Auxiliary Services
- Adult Vocational Education
- Professional Development Block Grant
- Education Management Information Systems
- Intervention
- Title I
- Title VI
- Title VI-B
- Eisenhower Grant
- Drug-Free Schools
- E-Rate

Capital Projects Funds

- SchoolNet Plus
- Vocational Education Equipment
- Interactive Video Distance Learning

Reimbursable Grants

General Fund

- Driver Education

Enterprise Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately forty-six percent of the School District's governmental operating revenue during the 2001 fiscal year.

I. Interfund Assets/Liabilities

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Transactions

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

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

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

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

N. Contributed Capital

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

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

O. Use of Estimates

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

P. Total Columns on General Purpose Financial Statements

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. There was no material effect on the financial statements.

4. COMPLIANCE AND ACCOUNTABILITY

A. COMPLIANCE

The school district's appropriations exceeded estimated resources in the following funds:

Fund Type/Fund	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds			
Development Grant	\$15,068	15,366	(298)
Title I	91,113	95,861	(4,748)
Debt Service Fund	0	70,889	(70,889)

B. ACCOUNTABILITY

At June 30, 2001, the nonpublic auxiliary services special revenue fund had deficit fund balances of \$15,524 and the lunchroom enterprise fund had deficit retained earnings of \$22,971. The deficits in the special revenue funds and the enterprise fund resulted from expenditures made in excess of available revenues. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis)

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$135,506	\$21,424	(\$11,946)
Revenue Accruals	42,957	(4,875)	(13,767)
Expenditure Accruals	35,809	20,101	43,414
Cash			
Prior Year	5,400	933	0
Current Year	(3,751)	(647)	0
Prepays	(19,304)	725	0
Advances In	90,250	43,750	0
Advances Out	(109,000)	(40,000)	0
Encumbrances Outstanding			
At Year End	<u>(88,750)</u>	<u>(50,131)</u>	<u>(221,760)</u>
Budget Basis	<u>\$ 89,117</u>	<u>(\$ 8,720)</u>	<u>(\$204,059)</u>

Net Loss/Excess of Revenues Over Expenses, Transfers and Advances
Enterprise Funds

GAAP Basis	(\$8,374)
Revenue Accruals	268
Expense Accruals	8,861
Cash on Hand prior year	50
Cash on Hand current year	(64)
Materials and Supply Inventory	(34)
Inventory Held for Resale	(2,767)
Prepaid Items	(2,603)
Depreciation Expense	2,911
Encumbrances	(2,843)
Advances In	65,000
Advances Out	<u>(50,000)</u>
Budget Basis	<u>\$10,405</u>

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$100,791) and the bank balance was \$50,000. Of the bank balance \$50,000 was covered by federal depository insurance.

Investments: GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the fair value and carrying amounts of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had an investment in a repurchase agreement with a fair value of \$1,502,591 as of June 30, 2001 and is classified in Category 3.

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property tax for calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2001, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Allen and Van Wert Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 was \$262,590 in the general fund and \$9,379 in the permanent improvement capital projects fund. The assessed values upon which the fiscal year 2001 taxes were collected are:

	<u>2000 Second-Half Collections</u>		<u>2001 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$105,102,380	79.29%	\$112,746,190	78.86%
Public Utility Personal	6,386,260	4.81%	5,974,200	4.18%
Tangible Personal Property	<u>21,072,160</u>	<u>15.90%</u>	<u>24,251,996</u>	<u>16.96%</u>
Total Assessed Value	<u>\$132,560,800</u>	<u>100.00%</u>	<u>\$142,972,386</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed Valuation	\$42.15		\$42.15	

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

	<u>Amount</u>
General Fund	\$ 66
Special Revenue Funds	
District Managed	356
Title VI	608
Drug Free	666
E-Rate	<u>177</u>
Total Special Revenue Funds	<u>1,807</u>
Capital Projects Funds	
Vocational Equipment	3,387
IVDL	<u>12,486</u>
Total Capital Project Funds	<u>15,873</u>
Total	<u>\$17,746</u>

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$211,647
Less Accumulated Depreciation	<u>(167,188)</u>
	<u>\$ 44,459</u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	<u>Balance 6/30/2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2001</u>
Asset Category				
Land, Buildings and Improvements	\$4,213,254	\$196,299	\$0	\$4,409,553
Furniture, Fixtures and Equipment	2,336,238	131,193	129,629	2,337,802
Vehicles	743,555	100,640	146,165	698,030
Construction in Progress	<u>142,436</u>	<u>111,260</u>	<u>142,436</u>	<u>111,260</u>
Totals	<u>\$7,435,483</u>	<u>\$539,392</u>	<u>\$418,230</u>	<u>\$7,556,645</u>

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for general liability, fleet insurance, and property insurance and with Ohio Mutual for the bus garage. Coverages provided by the various insurances are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$23,734,157
Automobile Liability (\$500 deductible)	2,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

The School District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 20). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

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

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

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$352,619, \$212,112, and \$204,090, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$58,990 is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$29,795, \$37,516, and \$49,481, respectively; 35 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$19,246 is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, four members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve. For the School District, this amount equaled \$167,030.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

For this fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 1.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$91,197 during the 2001 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. EMPLOYEE BENEFITS

A. Compensated Absences

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. EMPLOYEE BENEFITS (Continued)

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 48 days for all employees.

B. Health Care Benefits

The School District has elected to provide employee medical/surgical and dental benefits through the Allen County Schools Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the union contract. Life insurance is provided through CoreSource. The School District also contributes to a Flexible Health Benefit Spending Account for each employee for medical expenses not covered by other health insurance.

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Balance 6/30/2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2001</u>
1990 Energy Conservation Improvement Bonds 6.75%	\$ 27,000	\$ 0	\$ 27,000	\$ 0
1992 Energy Conservation Improvement Bonds 5.6%	113,100	0	37,700	75,400
Intergovernmental Payable	42,722	38,894	42,722	38,894
Compensated Absences	<u>619,256</u>	<u>11,675</u>	<u>0</u>	<u>630,931</u>
Total General Long Term Obligations	<u>\$802,078</u>	<u>\$50,569</u>	<u>\$107,422</u>	<u>\$745,225</u>

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

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

The School District's overall legal debt margin was \$12,792,115 with an unvoted debt margin of \$142,972 at June 30, 2001. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal Year <u>Ended</u>	<u>Amount</u>
2002	\$40,867
2003	<u>38,756</u>
Total	<u>\$79,623</u>

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, S.B. No. 345 eliminated the requirement that districts establish and maintain a budget stabilization reserve. The Act provided requirements for the disposition of any budget reserve balance that may have existed at April 10, 2001.

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Reserve</u>
Set- aside cash balance as of June 30, 2000	(\$ 87,733)	\$ 0	\$46,934
Current Year Set-aside Requirement	143,718	143,718	0
Elimination of Budget Stabilization			(46,934)
Qualifying Disbursements or Offsets	<u>(231,493)</u>	<u>(303,550)</u>	<u>0</u>
Total	<u>(\$175,508)</u>	<u>(\$159,832)</u>	<u>\$ 0</u>
Cash Carried Forward to Fiscal Year 2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, the extra amount for textbooks may be used to reduce the set-aside requirements of future years.

16. INTERFUND ACTIVITY

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund</u>		<u>Advances</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$18,750		\$65,000	
Special Revenue Fund				
EMIS		\$ 3,750		
Capital Projects Fund				
Permanent Improvement				\$65,000
Enterprise Fund				
Lunchroom		<u>15,000</u>		
Total	<u>\$18,750</u>	<u>\$18,750</u>	<u>\$65,000</u>	<u>\$65,000</u>

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Delphos City School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$253,759	\$48,553	\$302,312
Depreciation Expense	2,911	0	2,911
Operating Income(Loss)	(158,102)	6,291	(151,811)
Donated Commodities	33,650	0	33,650
Operating Grants	93,461	0	93,461
Advances In	15,000	50,000	65,000
Advances Out	0	(50,000)	(50,000)
Operating Transfers-In	15,000	0	15,000
Net Income (Loss)	(14,665)	6,291	(8,374)
Contributed Capital	11,799	0	11,799
Net Working Capital	(49,327)	12,114	(37,213)
Total Assets	84,920	12,114	97,034
Total Equity(Deficit)	(11,172)	12,114	942
Encumbrances	2,460	383	2,843

18. CONTRACTUAL OBLIGATIONS

As of June 30, 2001, the School District had the following contractual obligations:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining On Contract</u>
Ulms Incorporated	Franklin School Parking Lot	\$172,089
Myers Equipment	Handicap Bus	53,505

19. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors. The board of directors exercises total control over the operation of NOACSC including budgeting, appropriating, contracting and designating management. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

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

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

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

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

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

20. INSURANCE PURCHASING POOL

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

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

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

21. RELATED ORGANIZATION

Delphos Public Library - The Delphos Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Delphos City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. The School District has placed a .6 mill levy for operational purposes for the Library. Financial information can be obtained from the Delphos Public Library, James Weger, Clerk-Treasurer, at 309 West 2nd Street, Delphos, Ohio 45833.

22. SCHOOL FUNDING

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

22. SCHOOL FUNDING (Continued)

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as a basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

23. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Food Distribution Program	N/A	10.550		\$31,074		\$33,650
National School Lunch Program	043885-04-PU 2000	10.555	89,718		89,718	
Total U.S. Department of Agriculture - Nutrition Cluster			89,718	31,074	89,718	33,650
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I Grants to Local Education Agencies	043885-C1-S1 2000	84.010			10,816	
Title I Grants to Local Education Agencies	043885-C1-S1 2001	84.010	80,298		69,466	
Total Title I			80,298		80,282	
Title VI-B, Special Education Grants to States	043885 6B-SF 2000	84.027			4,907	
Title VI-B, Special Education Grants to States	043885 6B-SF 2001	84.027	84,968		79,260	
Total Title VI-B			84,968		84,167	
Title VI, Innovative Education Program Strategies	043385-C2-S1 1999	84.298			881	
Title VI, Innovative Education Program Strategies	043385-C2-S1 2000	84.298			896	
Title VI, Innovative Education Program Strategies	043885 C2-S1 2001	84.298	10,036		9,569	
Total Title VI			10,036		11,346	
Safe and Drug Free Schools and Communities State Grants	043885 DR-S1 2000	84.186			4,167	
Safe and Drug Free Schools and Communities State Grants	043885 DR-S1 2001	84.186	8,026		7,345	
Total Drug Free Grant			8,026		11,512	
Eisenhower Professional Development State Grant	043885 MS-S1 1999	84.281			268	
Eisenhower Professional Development State Grant	043885 MS-S1 2000	84.281			3,502	
Eisenhower Professional Development State Grant	043885 MS-S1 2001	84.281	3,224		251	
Total Eisenhower Professional Development State Grant			3,224		4,021	
Total U.S. Department of Education			186,552		191,328	
Total Federal Assistance			<u>\$276,270</u>	<u>\$31,074</u>	<u>\$281,046</u>	<u>\$33,650</u>

See accompanying notes to the schedule of federal awards expenditures.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had \$8,868 in donated food commodity inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on the Schedule.

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

Delphos City School District
Allen County
227 North Jefferson Street
Delphos, Ohio 45883

To the Board of Education:

We have audited the financial statements of Delphos City School District (the School District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 2, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10202-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 2, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 2, 2001.

Delphos City School District
Allen County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

November 2, 2001



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

Delphos City School District
Allen County
227 North Jefferson Street
Delphos, Ohio 45883

To the Board of Education:

Compliance

We have audited the compliance of the Delphos City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

As described in item 2001-10202-002 in the accompanying schedule of findings, the School District did not comply with requirements regarding procurement that is applicable to its Nutrition Cluster Program. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

November 2, 2001

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2001**

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

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

Finding Number 2001-10202-001

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

53% of transactions tested were not properly certified during the audit period and the District did not utilize the exceptions noted above.

The District should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2001-10202-002
CFDA Title and Number	10.555 Nutrition Cluster Grant
Federal Award Number	0438804-PU-2000
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Noncompliance - Code of Federal Regulations - Procurement

7CFR 3016.36, states that grantees and subgrantees will use their own procurement procedures which reflect applicable state and local laws and regulations.

In 87.5 % of expenditures tested, the District honored expenditures for which there was no prior certification from the fiscal officer as required under Ohio Rev Code 5705.41(D).

The District should review their policies and procedures regarding federal transactions and monitor compliance with applicable state and local laws and regulations.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-10202-001	Ohio Rev Code Section 5705.412 - 412 certificates	Yes	

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2001**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-10202-001	We plan to utilize "super blankets" to reduce these incidents. Also an increased awareness of regular purchase order dates, and monthly Board approval of purchases that exceed \$1,000.	Beginning 01/01/2002	School Treasurer
2001-10202-002	We plan to utilize "super blankets" to reduce these incidents.	Beginning 01/01/02	School Treasurer



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OFFICE OF THE AUDITOR

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DELPHOS CITY SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2001**