



**Auditor of State  
Betty Montgomery**



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delphos City School District, Allen County (the District), as of and for the fiscal year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2004, and the respective budgetary comparison for the General Fund, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2004 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 3, 2004

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The discussion and analysis of Delphos City School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

**HIGHLIGHTS**

Key highlights for fiscal year 2004 are as follows:

Allen County performed a triennial update which generated additional real estate tax revenues based on the School District's inside millage.

The School District received \$154,000 less in formula aid funding during fiscal year 2004 from the change in the State's funding formula.

The School District finalized negotiations with their certified employees during the summer of 2003. Salary rates were increased by 3 percent and the employees with the First Care + Plan agreed to increase their portion of medical insurance premiums from \$45 to \$65 for family plans and \$22.50 to \$35 for single plans.

Operational costs increased over the amount in revenues which continued to drain cash reserves.

**USING THIS ANNUAL REPORT**

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

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

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

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

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

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

**Fund Financial Statements**

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

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

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

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

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



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 provides a summary of the School District's net assets for fiscal year 2004 compared to fiscal year 2003.

**Table 1  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current and Other Assets	\$5,082,400	\$5,451,785
Capital Assets, Net	3,141,471	2,988,524
Total Assets	8,223,871	8,440,309
<b>Liabilities</b>		
Current and Other Liabilities	5,154,469	4,756,356
Long-Term Liabilities	914,667	1,057,679
Total Liabilities	6,069,136	5,814,035
<b>Net Assets</b>		
Invested in Capital		
Assets, Net of Related Debt	2,852,761	2,651,788
Restricted	269,523	223,764
Unrestricted (Deficit)	(967,549)	(249,278)
Total Net Assets	\$2,154,735	\$2,626,274

Current and other assets decreased primarily from the School District spending their cash carryover balances for basic operations. Property tax receivable was affected by the Allen County triennial update which increased the amount expected to be received on the inside millage by the School District for a full fiscal year real estate property tax collection.

Current and other liabilities increased by 8 percent from significant increases in wages payable, matured compensated absences, retirement incentive, and intergovernmental payables relating to wages. Long-term liabilities decreased from the payment on the high school physical education equipment capital lease during fiscal year 2004 and a decrease in compensated absences payable. Overall total liabilities increased 4.4 percent.

The majority of the increase in invested in capital assets, net of related debt, resulted from acquiring physical education equipment by a capital lease and the completion of the construction on a fitness building to house the physical education equipment. Restricted net assets increased from unspent grant dollars. Unrestricted net assets decreased due to spending more than the revenues received during the fiscal year for basic operations.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2004 compared to fiscal year 2003.

	<b>2004</b>	<b>2003</b>
<b>Table 2</b>		
<b>Change in Net Assets</b>		
<b>Governmental Activities</b>		
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$885,540	\$843,222
Operating Grants, Contributions, and Interest	1,763,544	1,557,749
Capital Grants and Contributions	89,400	137,709
Total Program Revenues	2,738,484	2,538,680
General Revenues		
Property Taxes	4,320,485	4,136,947
Grants and Entitlements not Restricted to Specific Programs	2,532,759	2,619,013
Interest	23,326	20,143
Miscellaneous	27,729	29,719
Total General Revenues	6,904,299	6,805,822
Total Revenues	9,642,783	9,344,502
<b>Expenses</b>		
Instruction		
Regular	3,941,664	3,749,972
Special	934,761	599,755
Vocational	724,751	755,567
Support Services		
Pupils	397,524	338,748
Instructional Staff	352,160	332,403
Board of Education	23,131	18,792
Administration	769,948	736,858
Fiscal	267,510	262,972
Operation and Maintenance of Plant	734,150	659,180
Pupil Transportation	432,597	392,923
Central	7,441	3,363
Non-instructional Services	1,089,239	1,035,888
Extracurricular Activities	429,552	392,217
Intergovernmental	1,080	0
Interest and Fiscal Charges	8,814	12,536
Total Expenses	10,114,322	9,291,174
Increase in Net Assets	(\$471,539)	53,328

Program revenues accounted for 28 percent of total revenues received in fiscal year 2004; which increased by 1 percent over the prior fiscal year. These revenues consisted of tuition and fees, charges for providing lunches to students, transportation services to other school districts, grants for specified purposes, and gifts and donations. Operating grants, contributions, and interest increased from the School District being awarded additional federal monies for Title I and Title V. The majority of general revenues consisted of property taxes and unrestricted grants and entitlements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

Costs for providing instruction remained at 55 percent of total expenses for the School District. The percentage of total expenses for support services, non-instructional expenses, and extracurricular expenses also remained constant at 30 percent, 11 percent, and 4 percent, respectively. Support services includes costs associated with providing support to pupils and teachers, along with expenses relating to the administration, maintenance of buildings, and transportation of students. Non-instructional expenses consist of food services to students and of costs associated with Delphos St. Johns parochial school.

**Governmental Activities**

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Instruction</b>				
Regular	\$3,941,664	\$3,749,972	\$3,313,566	\$3,159,774
Special	934,761	599,755	443,517	181,313
Vocational	724,751	755,567	648,267	678,091
<b>Support Services:</b>				
Pupils	397,524	338,748	295,258	240,897
Instructional Staff	352,160	332,403	352,160	332,403
Board of Education	23,131	18,792	23,131	18,792
Administration	769,948	736,858	769,948	736,858
Fiscal	267,510	262,972	267,510	262,972
Operation and Maintenance of Plant	734,150	659,180	682,075	601,722
Pupil Transportation	432,597	392,923	186,280	169,106
Central	7,441	3,363	(4,559)	(10,637)
Non-Instructional Services	1,089,239	1,035,888	81,779	92,199
Extracurricular Activities	429,552	392,217	307,012	276,468
Intergovernmental	1,080	0	1,080	0
Interest and Fiscal Charges	8,814	12,536	8,814	12,536
<b>Total Expenses</b>	<b>\$10,114,322</b>	<b>\$9,291,174</b>	<b>\$7,375,838</b>	<b>\$6,752,494</b>

The School District funds 79 percent of their total instruction costs, 86 percent of support services costs, and 71 percent of extracurricular expenses with property taxes and unrestricted grants and entitlements; which is consistent with fiscal year 2003. The majority of non-instructional services are funded by a State grant and revenues for providing student lunches.

**GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major governmental funds are the General Fund and Permanent Improvement capital projects fund. Operating revenues increased slightly in fiscal year 2004. Additional revenues were received in property taxes from the triennial update on real estate assessed values in Allen County. However; costs increased by 9 percent during fiscal year 2004 from negotiated salaries increases and step increases.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

**BUDGETARY HIGHLIGHTS**

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the School District amended its General Fund budget as needed.

For the General Fund, final budgeted revenues increased 10 percent from the original budget amounts. Allen County had a triennial update which increased the amount received on the inside millage for real estate taxes. Also, the School District received additional foundation revenue based on the change in pupil enrollment. The final appropriations increased 9 percent from the original budget. The majority of this increase was from the increase in wages from the negotiated agreement passed in the summer of 2003. Actual expenditures were within 2 percent of final appropriations.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The primary increase in capital assets for governmental activities is from acquiring physical education equipment through a capital lease, making improvements to the bus garage, and beginning construction on a fitness building to house the physical education equipment. Note 9 provides additional details regarding capital assets.

**Debt**

The School District has capital leases for the acquisition of an administration building and physical education equipment, in the amount of \$96,000 and \$192,710, respectively. These capital leases are paid from the General Fund and the Permanent Improvement capital projects fund.

In addition to the capital leases outlined above, the School District's long-term debt also includes compensated absences. Note 15 provides additional details regarding debt.

**CURRENT ISSUES**

The School District placed a 5.50 mill property tax levy on the ballot in November 2004 which passed and will be collected over a five year period. The levy is estimated to generate \$910,000 in additional property tax revenues.

The new formula for basic aid will decrease the School District's funding by \$494,918 in addition to decreases in the prior two fiscal years. The decrease was principally generated from an increase in the assessed valuation of tangible personal property of \$7,571,378.

The School District is unique in that the public school has a population of approximately 1,100 students and the parochial school within the School District has a population of approximately 1,000 students, which is made up from resident students. This almost 50-50 split of total student population affects the School District's per pupil valuation used in computing the basic aid funding as well as other funding, such as parity aid and building funds. Therefore, the School District receives less State aid than other school districts of similar size.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

**REQUEST FOR INFORMATION**

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

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**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$576,184
Accounts Receivable	885
Intergovernmental Receivable	50,898
Prepaid Items	133,314
Inventory Held for Resale	22,962
Materials and Supplies Inventory	10,485
Property Taxes Receivable	4,287,672
Nondepreciable Capital Assets	126,685
Depreciable Capital Assets, Net	3,014,786
 Total Assets	 8,223,871
<b>Liabilities</b>	
Accrued Wages and Benefits Payable	824,301
Accounts Payable	64,119
Matured Compensated Absences Payable	72,960
Special Termination Benefits Payable	44,459
Intergovernmental Payable	283,252
Deferred Revenue	3,865,378
Long-Term Liabilities	
Due Within One Year	198,534
Due in More Than One Year	716,133
 Total Liabilities	 6,069,136
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,852,761
Restricted for:	
Capital Projects	91,407
Other Purposes	178,116
Unrestricted (Deficit)	(967,549)
 Total Net Assets	 \$2,154,735

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>		<u>Capital Grants and Contributions</u>
<b>Governmental Activities</b>					
Instruction:					
Regular	\$3,941,664	\$462,831	\$80,393	\$84,874	(\$3,313,566)
Special	934,761	243	491,001		(443,517)
Vocational	724,751		76,211	273	(648,267)
Support Services:					
Pupils	397,524	60,913	41,353		(295,258)
Instructional Staff	352,160				(352,160)
Board of Education	23,131				(23,131)
Administration	769,948				(769,948)
Fiscal	267,510				(267,510)
Operation and Maintenance of Plant	734,150	75	52,000		(682,075)
Pupil Transportation	432,597		242,064	4,253	(186,280)
Central	7,441		12,000		4,559
Noninstructional Services	1,089,239	249,585	757,875		(81,779)
Extracurricular Activities	429,552	111,893	10,647		(307,012)
Intergovernmental	1,080				(1,080)
Interest and Fiscal Charges	8,814				(8,814)
<b>Total Governmental Activities</b>	<b>\$10,114,322</b>	<b>\$885,540</b>	<b>\$1,763,544</b>	<b>\$89,400</b>	<b>(7,375,838)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	4,013,245
Permanent Improvements	307,240
Grants and Entitlements Not Restricted to Specific Prog	2,532,759
Interest	23,326
Miscellaneous	27,729
<b>Total General Revenues</b>	<b>6,904,299</b>
Change in Net Assets	(471,539)
Net Assets Beginning of Year	2,626,274
Net Assets End of Year	<b>\$2,154,735</b>

See accompanying notes to the basic financial statements.



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$192,246	\$105,404	\$278,534	\$576,184
Accounts Receivable	13		872	885
Intergovernmental Receivable	4,980		45,918	50,898
Prepaid Items	127,526		5,788	133,314
Inventory Held for Resale	4,680		18,282	22,962
Materials and Supplies Inventory	10,277		208	10,485
Property Taxes Receivable	3,981,267	306,405		4,287,672
	<u>4,320,989</u>	<u>411,809</u>	<u>349,602</u>	<u>5,082,400</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accrued Wages and Benefits Payable	723,837		100,464	824,301
Accounts Payable	27,854	25,797	10,468	64,119
Matured Compensated Absences Payable	71,641		1,319	72,960
Intergovernmental Payable	204,531		16,297	220,828
Deferred Revenue	3,596,413	297,320	546	3,894,279
	<u>4,624,276</u>	<u>323,117</u>	<u>129,094</u>	<u>5,076,487</u>
<b>Fund Balances</b>				
Reserved for Property Taxes	384,854	9,085		393,939
Reserved for Encumbrances	38,272	72,425	14,336	125,033
Unreserved, Reported in				
General Fund (Deficit)	(726,413)			(726,413)
Special Revenue Funds			205,649	205,649
Capital Projects Funds		7,182	523	7,705
	<u>(303,287)</u>	<u>88,692</u>	<u>220,508</u>	<u>5,913</u>
Total Fund Balances	<u>(303,287)</u>	<u>88,692</u>	<u>220,508</u>	<u>5,913</u>
Total Liabilities and Fund Balances	<u>\$4,320,989</u>	<u>\$411,809</u>	<u>\$349,602</u>	<u>\$5,082,400</u>

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

Total Governmental Fund Balances		\$5,913
 <b>Amounts reported for governmental activities on the statement of net assets are different because of the following:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,141,471
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	546	
Property Taxes Receivable	28,355	
		28,901
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, are not reported in the funds.		(62,424)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Special Termination Benefits Payable	(44,459)	
Capital Leases Payable	(288,710)	
Compensated Absences Payable	(625,957)	
		(959,126)
<i>Net Assets of Governmental Activities</i>		<b>\$2,154,735</b>

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Revenues</b>				
Property Taxes	\$4,008,740	\$306,891		\$4,315,631
Intergovernmental	2,974,306	30,347	1,200,076	4,204,729
Interest	23,326		5,304	28,630
Tuition and Fees	463,074			463,074
Charges for Services			249,585	249,585
Extracurricular Activities			172,881	172,881
Gifts and Donations	100,524		74,600	175,124
Miscellaneous	22,729	5,000		27,729
<b>Total Revenues</b>	<u>7,592,699</u>	<u>342,238</u>	<u>1,702,446</u>	<u>9,637,383</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,930,433		54,699	3,985,132
Special	668,026		257,664	925,690
Vocational	749,823		7,459	757,282
Support Services:				
Pupils	309,630		81,529	391,159
Instructional Staff	323,973		13,878	337,851
Board of Education	21,595			21,595
Administration	743,341	6,931	2,946	753,218
Fiscal	262,340		2,953	265,293
Operation and Maintenance of Plant	573,453		70,672	644,125
Pupil Transportation	387,162			387,162
Central	1,260		5,670	6,930
Noninstructional Services			1,068,187	1,068,187
Extracurricular Activities	286,348		144,187	430,535
Capital Outlay		360,858		360,858
Intergovernmental			1,080	1,080
Debt Service:				
Principal Retirement	145,549	14,873		160,422
Interest and Fiscal Charges	7,836	978		8,814
<b>Total Expenditures</b>	<u>8,410,769</u>	<u>383,640</u>	<u>1,710,924</u>	<u>10,505,333</u>
Excess of Revenues Under Expenditures	<u>(818,070)</u>	<u>(41,402)</u>	<u>(8,478)</u>	<u>(867,950)</u>
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	112,396			112,396
Transfers In			36,628	36,628
Transfers Out	(35,000)		(1,628)	(36,628)
<b>Total Other Financing Sources (Uses)</b>	<u>77,396</u>		<u>35,000</u>	<u>112,396</u>
<b>Net Change in Fund Balances</b>	<u>(740,674)</u>	<u>(41,402)</u>	<u>26,522</u>	<u>(755,554)</u>
Fund Balances at Beginning of Year	<u>437,387</u>	<u>130,094</u>	<u>193,986</u>	<u>761,467</u>
<b>Fund Balances (Deficit) at End of Year</b>	<u><u>(\$303,287)</u></u>	<u><u>\$88,692</u></u>	<u><u>\$220,508</u></u>	<u><u>\$5,913</u></u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds (\$755,554)

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

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

Capital Outlay - Nondepreciable Capital Assets	47,811	
Capital Outlay - Depreciable Capital Assets	391,599	
Depreciation	<u>(268,295)</u>	
		171,115

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets (18,168)

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

Property Taxes	4,854	
Intergovernmental Revenue	<u>546</u>	
		5,400

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

160,422

The inception of a capital lease is an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets.

(112,396)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	9,186	
Special Termination Benefits Payable	(26,530)	
Compensated Absences Payable	<u>94,986</u>	
		<u>77,642</u>

Change in Net Assets of Governmental Activities (\$471,539)

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		<b>(Under)</b>
<b>Revenues</b>				
Property Taxes	\$3,706,600	\$4,038,200	\$4,031,166	(\$7,034)
Intergovernmental	2,831,542	3,003,379	2,974,306	(29,073)
Interest	35,000	35,000	23,295	(11,705)
Tuition and Fees	432,000	435,000	459,222	24,222
Gifts and Donations	115,000	115,000	109,827	(5,173)
Miscellaneous	3,000	9,161	22,725	13,564
<b>Total Revenues</b>	<b>7,123,142</b>	<b>7,635,740</b>	<b>7,620,541</b>	<b>(15,199)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,409,909	3,683,342	3,676,892	6,450
Special	380,121	367,624	353,290	14,334
Vocational	435,762	455,425	440,182	15,243
Other	472,000	721,800	721,785	15
Support Services:				
Pupils	331,038	332,238	302,691	29,547
Instructional Staff	268,117	311,417	310,147	1,270
Board of Education	24,375	25,975	22,157	3,818
Administration	737,954	735,315	729,756	5,559
Fiscal	262,880	272,680	263,255	9,425
Operation and Maintenance of Plant	548,815	600,215	576,870	23,345
Pupil Transportation	373,906	387,529	381,489	6,040
Central	1,202	1,402	1,353	49
Extracurricular Activities	259,881	294,176	285,164	9,012
Capital Outlay	20,000	20,000	20,000	
Debt Service:				
Principal Retirement	151,781	154,886	154,886	
Interest and Fiscal Charges	7,859	9,559	8,546	1,013
<b>Total Expenditures</b>	<b>7,685,600</b>	<b>8,373,583</b>	<b>8,248,463</b>	<b>125,120</b>
Excess of Revenues Under Expenditures	(562,458)	(737,843)	(627,922)	109,921
<b>Other Financing Sources (Uses)</b>				
Lease Proceeds		112,000	112,396	396
Advances In	105,000	190,000	190,000	
Advances Out	(50,000)	(95,000)	(95,000)	
Transfers Out	(30,000)	(35,000)	(35,000)	
<b>Total Other Financing Sources (Uses)</b>	<b>25,000</b>	<b>172,000</b>	<b>172,396</b>	<b>396</b>
Net Change in Fund Balance	(537,458)	(565,843)	(455,526)	110,317
Fund Balance at Beginning of Year	494,352	494,352	494,352	
Prior Year Encumbrances Appropriated	93,728	93,728	93,728	
<b>Fund Balance at End of Year</b>	<b>\$50,622</b>	<b>\$22,237</b>	<b>\$132,554</b>	<b>\$110,317</b>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$11,506	\$64,889
Total Assets	<u>11,506</u>	<u>64,889</u>
<b>Liabilities</b>		
Accounts Payable		741
Intergovernmental Payable	2,500	
Due to Students		<u>64,148</u>
Total Liabilities	<u>2,500</u>	<u>\$64,889</u>
<b>Net Assets</b>		
Held in Trust for Students	<u>\$9,006</u>	

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Private Purpose Trust</b>
<b>Additions</b>	
Gifts and Donations	\$6,065
<b>Deductions</b>	
Noninstructional Services	<u>6,286</u>
Change in Net Assets	(221)
Net Assets Beginning of Year	<u>9,227</u>
Net Assets End of Year	<u><u>\$9,006</u></u>

*See accompanying notes to the basic financial statements.*

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**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

The School District was established in 1862 with the consolidation of existing land areas and school districts. The School District serves an area of approximately seventy-six square miles. It is located in Allen and Van Wert Counties, and includes all of the City of Delphos and portions of Marion and Washington Townships. The School District is the 467th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-three classified employees, seventy-eight certified teaching personnel, and six administrative employees who provide services to 1,139 students and other community members. The School District currently operates four instructional buildings, two bus garages, and one administrative building.

**A. Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. As of June 30, 2003, there are no component units of the Delphos City School District.

The following activities are included within the reporting entity:

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

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**1. Governmental Funds**

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

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

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

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

**2. Fiduciary Funds**

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

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**2. Fund Financial Statements**

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

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

**D. Basis of Accounting**

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

**1. Revenues - Exchange and Non-exchange Transactions**

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

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

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**2. Deferred Revenues**

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

Property taxes for which there was an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**3. Expenses/Expenditures**

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

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the function and object level for all funds.

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

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**F. Cash and Investments**

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

During fiscal year 2004, the School District invested in repurchase agreements, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 was \$23,326, which includes \$6,048 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Capital Assets**

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

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

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	5 - 30 years
Building and Building Improvements	10 - 50 years
Improvements Other Than Buildings	30 years
Furniture, Fixtures, and Equipment	6 - 30 years
Vehicles	3 - 10 years

**J. Interfund Assets/Liabilities**

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

**K. Compensated Absences**

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

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

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

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

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

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

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**M. Net Assets**

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

**N. Fund Balance Reserves**

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

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

**O. Interfund Transactions**

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

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**Q. Estimates**

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



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2004, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significant of their relationship with a primary government. The implementation of this statement did not result in any change to the School District's financial statements.

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2004, the General Fund and the Adult Vocational Education and Title II A Special Revenue Funds had deficit fund balances of \$303,287, \$4, and \$629, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

For the fiscal year ended June 30, 2004, the Adult Vocational Education and IDEA B special revenue funds and the Permanent Improvement capital projects fund had original appropriations in excess of estimated resources plus available balances, in the amount of \$1,646, \$834, and \$855, respectively. The IDEA B special revenue fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$5,000. The School District will monitor budgetary transactions to avoid this situation in the future.

**5. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

	<b>Net Change in Fund Balance</b>
GAAP Basis	(\$ 740,674)
<b>Increase (Decrease) Due To:</b>	
Revenue Accruals:	
Accrued FY 2003, Received in Cash FY 2004	416,831
Accrued FY 2004, Not Yet Received in Cash	(388,958)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(806,584)
Accrued FY 2004, Not Yet Paid in Cash	1,026,974
Cash on Hand at Beginning of Year	1,081
Cash on Hand at End of Year	(1,112)
Prepaid Items	61
Materials and Supplies Inventory	(907)
Inventory Held for Resale	1,342
Advances In	190,000
Advances Out	(95,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(58,580)
Budget Basis	<u><u>(\$ 455,526)</u></u>

**6. DEPOSITS AND INVESTMENTS**

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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

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

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 qualified trustee 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".

At fiscal year end, the carrying amount of the School District's deposits was (\$124,152) and the bank balance was \$50,000. The entire bank balance was covered by federal depository insurance.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments 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 carrying value of the School District's investment in repurchase agreements was \$776,731, with a fair value of \$776,780 at June 30, 2004. The investment in repurchase agreements is a Category 3 investment.

**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/ Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$652,579	\$ 0
Investments:		
Repurchase Agreements	(776,731)	776,731
GASB Statement No. 3	(\$124,152)	\$776,731

**7. RECEIVABLES**

Receivables at June 30, 2004, consisted of accounts (student fees and billings for user charged services), intergovernmental, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
General Fund	\$ 4,980
Other Governmental Funds	
Lunchroom	13,432
Athletics	23
Adult Vocational Education	546
Summer Intervention	8,203
Miscellaneous State	4,200
Title I	17,328
Drug Free	1,792
Miscellaneous Federal	394
Total Other Governmental Funds	45,918
Total Intergovernmental Receivables	\$50,898

**8. PROPERTY TAXES**

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

**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Allen and Van Wert Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2004, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$384,854 in the General Fund and \$9,085 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2003, was \$407,280 in the General Fund and \$12,418 in the Permanent Improvement Capital Projects Fund.

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

The assessed values upon which fiscal year 2004 taxes were collected are:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. PROPERTY TAXES (Continued)**

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$122,394,810	80.57%	\$134,512,720	81.30%
Public Utility	4,165,950	2.74	4,878,000	2.95
Tangible Personal	25,357,919	16.69	26,063,060	15.75
Total Assessed Value	<u>\$151,918,679</u>	<u>100.00%</u>	<u>\$165,453,780</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.15		\$42.15	

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<b>Balance at 6/30/03</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/04</b>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 126,685	\$ 0	\$ 0	\$ 126,685
Construction in Progress	64,842	47,811	(112,653)	0
Total Nondepreciable Capital Assets	<u>191,527</u>	<u>47,811</u>	<u>(112,653)</u>	<u>126,685</u>
Depreciable Capital Assets				
Land Improvements	1,137,390	83,433	0	1,220,823
Buildings and Building Improvements	3,689,260	112,653	0	3,801,913
Improvements Other Than Buildings	20,930	0	0	20,930
Furniture, Fixtures, and Equipment	1,582,472	178,144	(15,784)	1,744,832
Vehicles	743,904	130,022	(113,000)	760,926
Total Depreciable Capital Assets	<u>7,173,956</u>	<u>504,252</u>	<u>(128,784)</u>	<u>7,549,424</u>
Less Accumulated Depreciation				
Land Improvements	(\$ 895,240)	(\$24,578)	\$ 0	(\$919,818)
Buildings and Building Improvements	(2,121,591)	(68,347)	0	(2,189,938)
Improvements Other Than Buildings	(698)	(698)	0	(1,396)
Furniture, Fixtures, and Equipment	(882,395)	(113,218)	6,944	(988,669)
Vehicles	(477,035)	(61,454)	103,672	(434,817)
Total Accumulated Depreciation	<u>(4,376,959)</u>	<u>(268,295)</u>	<u>110,616</u>	<u>(4,534,638)</u>
Depreciable Capital Assets, Net	<u>2,796,997</u>	<u>235,957</u>	<u>(18,168)</u>	<u>3,014,786</u>
Governmental Activities Capital Assets, Net	<u>\$2,988,524</u>	<u>\$283,768</u>	<u>(\$130,821)</u>	<u>\$3,141,471</u>

Depreciation expense was charged to governmental functions as follows:

**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

Instruction:	
Regular	\$ 69,069
Special	5,562
Vocational	4,826
Support Services:	
Pupils	5,067
Instructional Staff	14,525
Administration	31,319
Fiscal	2,333
Operation and Maintenance of Plant	17,832
Pupil Transportation	64,272
Non-Instructional Services	7,477
Extracurricular Activities	46,013
Total Depreciation Expense	<u>\$268,295</u>

**10. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Excess Liability	1,000,000

Coverage provided by Selective Insurance Company of South Carolina is as follows:

Building and Contents	24,430,438
Automobile Liability	2,000,000

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

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

**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

The School District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Accordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the GRP.

For fiscal year 2004, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**11. CONTRACTUAL COMMITMENTS**

As of June 30, 2004, the School District had contractual commitments as follows:

<b>Company</b>	<b>Project</b>	<b>Amount Remaining on Contract</b>
NuWave Technology, Inc.	Update High School Fire Alarm	\$24,997
Ulm's, Inc.	Middle School Sidewalks, Driveway and Curbs	122,920
Ulm's, Inc.	Annex Parking Lot	14,235

**12. 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 to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$541,179, \$528,524, and \$366,064 respectively; 82 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. Contributions for the DCP and CP for the fiscal year ended June 30, 2004, were \$674 made by the School District and \$7,702 made by plan members.

**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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, 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, 2004, 2003, and 2002, were \$77,335, \$66,694, and \$41,732, respectively; 43 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, five of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**13. 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 obligation 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 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$41,681.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 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.

**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay was established at \$24,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$58,788 for fiscal year 2004.

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, 2003 (the latest information available), were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**14. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. All two hundred sixty day administrative personnel earn twenty days of vacation per contract period. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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

**B. Health Care Benefits**

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

**C. Special Termination Benefit**

The School District provides a special termination benefit to eligible certified and classified employees. A full-time employee with ten years of service with the School District and with less than 30.99 years of experience who elects to retire after the close of the school year in which they initially became eligible for retirement under the pension eligibility criteria will be paid an amount equal to the sick leave severance.

**DELPHOS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	<u>Balance at 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/04</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Long-Term Obligations					
Capital Leases 0 - 4.75%	\$ 336,736	\$112,396	\$160,422	\$288,710	\$183,204
Compensated Absences Payable	720,943		94,986	625,957	15,330
Total Governmental Activities					
Long-Term Obligations	<u>\$1,057,679</u>	<u>\$112,396</u>	<u>\$255,408</u>	<u>\$914,667</u>	<u>\$198,534</u>

Capital leases will be paid from the General Fund and the Permanent Improvement capital projects fund.

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

The School District's overall debt margin was \$14,890,840 with an unvoted debt margin of \$165,454 at June 30, 2004.

**16. CAPITALIZED LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for a building and physical education equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Regular Instruction" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for governmental funds. These expenditures are reported as function expenditures on the budgetary statements. Assets, consisting of a building and physical education equipment, have been capitalized in the amount of \$240,000 and \$394,861, respectively. Principal payments in fiscal year 2004 were \$160,422.

	<b>Governmental Activities</b>
Property under Capital Lease	<u>\$634,861</u>
Less Accumulated Depreciation	<u>(94,904)</u>
Present Value of Net Minimum Lease Payments	<u>\$539,957</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**16. CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)**

Fiscal Year Ending June 30,	<b>Governmental Activities</b>
2004	\$188,183
2005	87,288
2007	19,644
Total	295,115
Less Amount Representing Interest	(6,405)
Present Value of Net Minimum Lease Payments	\$288,710

**17. SET ASIDES**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004.

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2003	(\$285,946)	\$ 0
Current Year Set Aside Requirement	157,210	157,210
Qualifying Expenditures	(171,069)	0
Current Year Offsets	0	(157,210)
Balance June 30, 2004	(\$299,805)	\$ 0

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

**18. INTERFUND TRANSFERS**

During fiscal year 2004, the General Fund made transfers to the other governmental funds, in the amount of \$35,000, to fund the food service program. A transfer was made in the other governmental funds from Fund 573 Title V to Fund 590, Title II A, in the amount of \$1,628 to correct the distribution of federal expenditures.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**19. JOINTLY GOVERNED ORGANIZATIONS**

**A. West Central Ohio Regional Professional Development Center**

The West Central Ohio Regional Professional Development Center (Center) is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish 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 that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**B. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

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

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2004, the School District paid \$6,302 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**D. Vantage Joint Vocational School**

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**20. INSURANCE POOLS**

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

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

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

**B. NOACSC Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (GRP) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator of NOACSC or his designee serves as coordinator of the GRP. Each year, the participating members pay an enrollment fee to the GRP to cover the costs of administering the program.

**C. Ohio School Plan**

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

**21. RELATED ORGANIZATION**

The Delphos Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Delphos City School District Board of Education. The Board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. In May, 2003, a five year .6 mill levy was passed for operational purposes. Collection of the property tax will begin in calendar year 2004. Financial information can be obtained from the Delphos Community Public Library, Janet Bonifas, Clerk/Treasurer, 309 West Second Street, Delphos, Ohio 45833.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**22. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**23. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**B. Litigation**

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



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$67,014		\$67,014
National School Lunch Program	043885-LLP4-2002	10.555	4,706		4,706	
National School Lunch Program	043885-LLP4-2003	10.555	17,038		17,038	
National School Lunch Program	043885-LLP4-2003	10.555	77,835		77,835	
Total National School Lunch			99,579		99,579	
Total U.S. Department of Agriculture - Nutrition Cluster			99,579	67,014	99,579	67,014
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Title I, Part A, IASA	043885-C1-S1 2003	84.010			14,124	
Title I, Part A, IASA	043885-C1-S1 2004	84.010	110,148		106,295	
Total Title I			110,148		120,419	
Title VI-B, Special Education Grants to States	043885 6B-SF 2003P	84.027			4,165	
Title VI-B, Special Education Grants to States	043885 6B-SF 2004	84.027	206,002		200,594	
Total Title VI-B			206,002		204,759	
Title VI, Innovative Education Program Strategies	043885 C2-S1 2003	84.298	(256)		2,155	
	043885 C2-S1 2004	84.298	13,008		12,035	
Total Title VI			12,752		14,190	
Drug Free Grant	043885 DR-S1 2003	84.186	144		2,795	
Drug Free Grant	043885 DR-S1 2004	84.186	6,673		5,626	
Total Drug Free Grant			6,817		8,421	
Technology Literacy	043885-TJS12003	84.318	(325)		325	
Technology Literacy	043885-TJS12004	84.318	2,174		1,646	
Total Technology Literacy			1,849		1,971	
Improving Teacher Quality	043885 TRS1 2003	84.367			5,382	
Improving Teacher Quality	043885 TRS1 2004	84.367	40,134		35,698	
Total Improving Teacher Quality			40,134		41,080	
Total U.S. Department of Education			377,702		390,840	
<b>Total Federal Assistance</b>			<b>\$477,281</b>	<b>\$67,014</b>	<b>\$490,419</b>	<b>\$67,014</b>

See accompanying notes to the schedule of federal awards expenditures.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2004**

**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 -- CHILD NUTRITION CLUSTER**

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C -- PROGRAM YEAR TRANSFERS**

The negative receipt recorded on the schedule for CFDA #84.318 and CFDA #84.298 represents a transfer between the 2003 and 2004 program years within the same CFDA #. These transfers are recorded as a negative receipt in the transferring fund/special cost center and a positive receipt in the receiving fund/special cost center.



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Delphos City School District, Allen County (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2004. 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 District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 3, 2004.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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 controls over the financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 3, 2004.

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

This report is intended solely for the information and use of the Board of Education, management, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 3, 2004



**Auditor of State  
Betty Montgomery**

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

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

**Compliance**

We have audited the compliance of Delphos City School District, Allen County, (the 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, 2004. The 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 District's management. Our responsibility is to express an opinion on the 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 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 3, 2004.

### Internal Control Over Compliance

The management of the 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 District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



**Betty Montgomery**  
Auditor of State

December 3, 2004

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 .505  
JUNE 30, 2004**

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

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

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

None

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

None

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 .315 (b)  
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2003-001	ORC Sec. 5705.41(D) – Prior certification of expenditures	No	Partially Corrected, repeated in management letter.
2003-002	7 CFR 245.6(C) – Documentation of verification of National School Lunch Program applications	Yes	





**Auditor of State  
Betty Montgomery**

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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  
FEBRUARY 22, 2005**