



Mary Taylor, CPA  
Auditor of State



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities .....	14
Statement of Revenues, Expenditures, and Change in Fund Balance Budget and Actual – Non GAAP Budget Basis - General Fund .....	15
Statement of Fiduciary Net Assets - Fiduciary Funds.....	16
Statement of Change in Fiduciary Net Assets - Fiduciary Fund.....	17
Notes to the Basic Financial Statements .....	19
Schedule of Federal Awards Receipts and Expenditures.....	41
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	42
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	43
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	45
Schedule of Findings.....	47
Schedule of Prior Audit Findings.....	48

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delphos City School District, Allen County, (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Delphos City School District, Allen County, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected this 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

January 9, 2009

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand 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 the Permanent Improvement capital projects fund.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008. 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. Nonfinancial factors can include changes in the School District's property tax base and the condition of the School District's capital assets. These factors must be considered when assessing the overall health of the School District.

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

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

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

**Governmental Funds** - The School District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The School District's basic services are reported in these funds. The financial statements focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's operations.

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007.

**Table 1  
Net Assets**

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2008</b>	<b>2007</b>	
<b>Assets</b>			
Current and Other Assets	\$6,319,401	\$6,944,836	(\$625,435)
Capital Assets, Net	4,028,285	4,283,118	(254,833)
<b>Total Assets</b>	<b>10,347,686</b>	<b>11,227,954</b>	<b>(880,268)</b>
<b>Liabilities</b>			
Current and Other Liabilities	5,753,221	6,249,081	495,860
Long-Term Liabilities	616,763	650,459	33,696
<b>Total Liabilities</b>	<b>6,369,984</b>	<b>6,899,540</b>	<b>529,556</b>
<b>Net Assets</b>			
Invested in Capital Assets	4,028,285	4,283,118	(254,833)
Restricted	686,982	441,391	245,591
Unrestricted (Deficit)	(737,565)	(396,095)	(341,470)
<b>Total Net Assets</b>	<b>\$3,977,702</b>	<b>\$4,328,414</b>	<b>(\$350,712)</b>

Current and other assets decreased from the gradual elimination of the tangible personal property component of the property tax receivable. This decrease in the property tax receivable is also evident in current and other liabilities from the reduction of deferred revenue pertaining to this receivable.



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007.

**Table 2  
Change in Net Assets**

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2008</b>	<b>2007</b>	
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services	\$ 996,737	\$1,027,597	(\$ 30,860)
Operating Grants, Contributions, and Interest	1,756,709	1,792,001	(35,292)
Capital Grants and Contributions	21,007	19,203	1,804
Total Program Revenues	<u>2,774,453</u>	<u>2,838,801</u>	<u>(64,348)</u>
<b>General Revenues</b>			
Property Taxes	4,360,201	4,736,079	(375,878)
Grants and Entitlements not Restricted to Specific Programs	3,400,680	3,123,295	277,385
Interest	68,429	54,596	13,833
Miscellaneous	69,500	17,088	52,412
Total General Revenues	<u>7,898,810</u>	<u>7,931,058</u>	<u>(32,248)</u>
Total Revenues	<u>10,673,263</u>	<u>10,769,859</u>	<u>(96,596)</u>
<b>Expenses</b>			
<b>Instruction</b>			
Regular	4,660,033	4,505,710	(154,323)
Special	949,239	871,964	(77,275)
Vocational	523,468	510,557	(12,911)
<b>Support Services</b>			
Pupils	473,317	450,873	(22,444)
Instructional Staff	479,620	445,215	(34,405)
Board of Education	31,937	37,389	5,452
Administration	787,947	780,757	(7,190)
Fiscal	315,306	294,805	(20,501)
Operation and Maintenance of Plant	681,706	658,156	(23,550)
Pupil Transportation	491,404	468,717	(22,687)
Central	10,733	14,340	3,607
Non-instructional Services	1,083,775	1,188,226	104,451
Extracurricular Activities	535,490	424,226	(111,264)
Intergovernmental		1,975	1,975
Total Expenses	<u>11,023,975</u>	<u>10,652,910</u>	<u>(371,065)</u>
Increase/(Decrease) in Net Assets	(350,712)	116,949	(467,661)
Net Assets at Beginning of Year	4,328,414	4,211,465	116,949
Net Assets at End of Year	<u>\$3,977,702</u>	<u>\$4,328,414</u>	<u>(\$350,712)</u>

Program revenues stayed relatively the same between fiscal year 2007 and fiscal year 2008. The School District's program revenues include tuition and fees, charges for providing lunches to students, transportation services to other school districts, and grants for specified purposes. The majority of general revenues consisted of property taxes and unrestricted grants and entitlements. General revenues also remained very similar to fiscal year 2007.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

Costs for providing instruction continued to be approximately 56 percent of total expenses for the School District. The percentage of total expenses for support services, non-instructional, and extracurricular activities also stayed relatively constant. 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 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>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Instruction:</b>				
Regular	\$4,660,033	\$4,505,710	\$3,949,376	\$3,838,592
Special	949,239	871,964	158,125	124,071
Vocational	523,468	510,557	467,530	442,572
<b>Support Services:</b>				
Pupils	473,317	450,873	458,739	376,011
Instructional Staff	479,620	445,215	479,620	445,215
Board of Education	31,937	37,389	31,937	37,389
Administration	787,947	780,757	787,947	780,757
Fiscal	315,306	294,805	315,306	294,805
Operation and Maintenance of Plant	681,706	658,156	599,122	556,975
Pupil Transportation	491,404	468,717	462,031	434,027
Central	10,733	14,340	10,733	14,340
Non-instructional Services	1,083,775	1,188,226	89,490	133,878
Extracurricular Activities	535,490	424,226	439,566	333,502
Intergovernmental		1,975		1,975
<b>Total Expenses</b>	<b><u>\$11,023,975</u></b>	<b><u>\$10,652,910</u></b>	<b><u>\$8,249,522</u></b>	<b><u>\$7,814,109</u></b>

The School District funds 75 percent of total instruction costs with property taxes and unrestricted grants and entitlements which is comparable to fiscal year 2007. Property taxes and unrestricted grants and entitlements also fund support services costs at 96 percent, which is slightly higher than in fiscal year 2007. The School District funds 82 percent of extracurricular activities costs with property taxes and unrestricted grants and entitlements which is also slightly higher than in fiscal year 2007. Program revenues for extracurricular activities consist primarily of music and athletic fees, ticket sales, and gate receipts.

Several of the School District's programs receive substantial support through program revenues. For instance, special instruction received 83 percent of its funding through operating grants restricted to special education purposes. Noninstructional services provided for 92 percent of its costs through user charges from cafeteria sales, state and federal subsidies, and donated commodities for food service. The School District also receives a large amount of operating grants for the number of students receiving their education through the parochial school which is reported within noninstructional services.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the General Fund and the Permanent Improvement capital projects fund. There was an insignificant decrease in revenues in the General Fund in fiscal year 2008; however, there was an overall six percent increase in expenditures. Expenditures increased significantly for special instruction, pupils, and fiscal support services, and extracurricular activities. The School District hired an additional special education teacher in the high school. The Allen County Education Service Center increased their excess costs due to the loss of State funding. Tax settlement fees increased significantly in the fiscal support services program. In order to meet Title IX requirements, assistant varsity coaches were added to all extracurricular programs.

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

**BUDGETARY HIGHLIGHTS**

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute. The School District's most significant budgeted fund is the General Fund. During fiscal year 2008, the School District amended its General Fund budget as needed.

Estimated revenues were not modified during the fiscal year. Actual revenues collected were within two percent of final budgeted revenues. The final appropriations increased insignificantly from the original budget. Actual expenditures were almost equal to final appropriations.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - Net capital assets decreased slightly during fiscal year 2008 due to depreciation expense exceeding additions. Note 11 provides additional details regarding capital assets.

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

**CURRENT ISSUES**

For fiscal year 2009, the Board of Education has adopted appropriations slightly higher than those in fiscal year 2008 due to increases in salaries as approved through union negotiations. For fiscal year 2009, the Board of Education reduced the athletic director's position from full-time to part-time, replaced two librarians with aides, and reduced two bus routes eliminating one half of a bus driver's salary.

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 900 students, also made up of resident students. The significant number of students attending the parochial school reduces the School District's basic aid funding and other funding, such as parity aid. Therefore, the School District receives less State aid than other school districts with a similar student population.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,155,056
Accounts Receivable	3,527
Intergovernmental Receivable	40,875
Prepaid Items	46,968
Inventory Held for Resale	25,744
Materials and Supplies Inventory	23,475
Property Taxes Receivable	4,787,003
Payment in Lieu of Taxes Receivable	236,753
Nondepreciable Capital Assets	126,685
Depreciable Capital Assets, Net	3,901,600
Total Assets	10,347,686
<b>Liabilities</b>	
Accrued Wages and Benefits Payable	808,026
Accounts Payable	57,774
Matured Compensated Absences Payable	144,353
Separation Benefits Payable	26,332
Intergovernmental Payable	333,873
Deferred Revenue	4,382,863
Long-Term Liabilities	
Due Within One Year	8,903
Due in More Than One Year	607,860
Total Liabilities	6,369,984
<b>Net Assets</b>	
Invested in Capital Assets	4,028,285
Restricted for:	
Capital Projects	446,617
Other Purposes	240,365
Unrestricted (Deficit)	(737,565)
Total Net Assets	\$3,977,702

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Program Revenues</u>			<b>Net (Expense) Revenue and Change in Net Assets</b>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>					
<b>Instruction:</b>					
Regular	\$4,660,033	\$639,941	\$63,664	\$7,052	(\$3,949,376)
Special	949,239	28,885	762,229		(158,125)
Vocational	523,468		55,138	800	(467,530)
<b>Support Services:</b>					
Pupils	473,317		14,578		(458,739)
Instructional Staff	479,620				(479,620)
Board of Education	31,937				(31,937)
Administration	787,947				(787,947)
Fiscal	315,306				(315,306)
Operation and Maintenance of Plant	681,706	1,034	81,550		(599,122)
Pupil Transportation Central	491,404 10,733		17,718	11,655	(462,031) (10,733)
Noninstructional Services	1,083,775	247,961	746,324		(89,490)
Extracurricular Activities	535,490	78,916	15,508	1,500	(439,566)
<b>Total Governmental Activities</b>	<u>\$11,023,975</u>	<u>\$996,737</u>	<u>\$1,756,709</u>	<u>\$21,007</u>	(8,249,522)
<b>General Revenues</b>					
<b>Property Taxes Levied for:</b>					
					4,106,371
					253,830
					3,400,680
					68,429
					69,500
					<u>7,898,810</u>
					(350,712)
					<u>4,328,414</u>
					<u>\$3,977,702</u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$344,767	\$415,995	\$352,226	\$1,112,988
Accounts Receivable	3,147		380	3,527
Intergovernmental Receivable	1,093		39,782	40,875
Prepaid Items	46,968			46,968
Inventory Held for Resale	13,617		12,127	25,744
Materials and Supplies Inventory	18,409		5,066	23,475
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	42,068			42,068
Property Taxes Receivable	4,541,543	245,460		4,787,003
Payment in Lieu of Taxes Receivable	236,753			236,753
Total Assets	<u>5,248,365</u>	<u>661,455</u>	<u>409,581</u>	<u>6,319,401</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accrued Wages and Benefits Payable	721,062		86,964	808,026
Accounts Payable	37,546		20,228	57,774
Matured Compensated Absences Payable	127,472		16,881	144,353
Intergovernmental Payable	300,804		33,069	333,873
Deferred Revenue	4,428,974	225,885	17,782	4,672,641
Total Liabilities	<u>5,615,858</u>	<u>225,885</u>	<u>174,924</u>	<u>6,016,667</u>
<b>Fund Balances</b>				
Reserved for Property Taxes	320,670	18,147		338,817
Reserved for Bus Purchases	42,068			42,068
Reserved for Encumbrances	72,128	109,276	42,203	223,607
Unreserved, Reported in				
General Fund (Deficit)	(802,359)			(802,359)
Special Revenue Funds			183,398	183,398
Capital Projects Funds		308,147	9,056	317,203
Total Fund Balance	<u>(367,493)</u>	<u>435,570</u>	<u>234,657</u>	<u>302,734</u>
Total Liabilities and Fund Balances	<u>\$5,248,365</u>	<u>\$661,455</u>	<u>\$409,581</u>	<u>\$6,319,401</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, 2008**

Total Governmental Fund Balances		\$302,734
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
		4,028,285
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	\$17,782	
Property Taxes Receivable	35,243	
Payment in Lieu of Taxes Receivable	<u>236,753</u>	
		289,778
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences Payable	(616,763)	
Separation Benefits Payable	<u>(26,332)</u>	
		<u>(643,095)</u>
Net Assets of Governmental Activities		<u><u>\$3,977,702</u></u>

*See accompanying notes to the basic financial statements.*



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Revenues</b>				
Property Taxes	\$4,101,397	\$253,533		\$4,354,930
Payment in Lieu of Taxes	41,959			41,959
Intergovernmental	3,678,340	60,535	\$1,345,538	5,084,413
Interest	63,963		10,372	74,335
Tuition and Fees	668,826			668,826
Charges for Services			248,995	248,995
Extracurricular Activities			78,916	78,916
Gifts and Donations	1,982		106,636	108,618
Miscellaneous	12,065		57,435	69,500
Total Revenues	<u>8,568,532</u>	<u>314,068</u>	<u>1,847,892</u>	<u>10,730,492</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,539,336		88,844	4,628,180
Special	546,089		385,868	931,957
Vocational	519,232	1,049		520,281
<b>Support Services:</b>				
Pupils	408,652		60,978	469,630
Instructional Staff	465,210		5,509	470,719
Board of Education	31,937			31,937
Administration	799,628		3,400	803,028
Fiscal	301,981	7,402	3,179	312,562
Operation and Maintenance of Plant	588,399		33,712	622,111
Pupil Transportation	423,929			423,929
Central	355		10,378	10,733
Non-instructional Services			1,074,354	1,074,354
Extracurricular Activities	328,518		82,904	411,422
Capital Outlay		98,418		98,418
Total Expenditures	<u>8,953,266</u>	<u>106,869</u>	<u>1,749,126</u>	<u>10,809,261</u>
Excess of Revenues Over (Under) Expenditures	(384,734)	207,199	98,766	(78,769)
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	10,000			10,000
Transfers In			1,712	1,712
Transfers Out	(1,712)			(1,712)
Total Other Financing Sources (Uses)	8,288		1,712	10,000
Changes in Fund Balance	(376,446)	207,199	100,478	(68,769)
Fund Balances (Deficit) at Beginning of Year	<u>8,953</u>	<u>228,371</u>	<u>134,179</u>	<u>371,503</u>
Fund Balances at End of Year	<u>(\$367,493)</u>	<u>\$435,570</u>	<u>\$234,657</u>	<u>\$302,734</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 FISCAL YEAR ENDED JUNE 30, 2008**

**Changes in Fund Balances - Total Governmental Funds** (\$68,769)

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 and deletions in the current year:

Capital Contribution	\$1,500	
Depreciable Capital Assets	74,943	
Depreciation	<u>(204,927)</u>	(128,484)

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 when disposed of resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(10,000)	
Loss on Disposal of Capital Assets	<u>(116,349)</u>	(126,349)

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

Property Taxes	5,271	
Payment in Lieu of Taxes	(41,959)	
Intergovernmental	<u>(22,041)</u>	(58,729)

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

Compensated Absences Payable	33,696	
Separation Benefits Payable	<u>(2,077)</u>	<u>31,619</u>

Change in Net Assets of Governmental Activities \$(350,712)

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - NON GAAP BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<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	\$4,006,132	\$4,006,132	\$4,216,662	\$210,530
Payment in Lieu of Taxes	42,000	42,000	41,959	(41)
Intergovernmental	3,873,918	3,873,918	3,796,228	(77,690)
Interest	60,000	60,000	65,103	5,103
Tuition and Fees	621,200	621,200	668,826	47,626
Gifts and Donations	3,500	3,500	982	(2,518)
Miscellaneous	9,300	9,300	9,942	642
<b>Total Revenues</b>	<b>8,616,050</b>	<b>8,616,050</b>	<b>8,799,702</b>	<b>183,652</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,184,344	4,222,470	4,119,279	103,191
Special	444,794	510,397	514,028	(3,631)
Vocational	282,767	289,973	324,797	(34,824)
Other	555,000	660,000	599,163	60,837
<b>Support Services:</b>				
Pupils	390,607	391,063	407,848	(16,785)
Instructional Staff	412,773	412,799	469,425	(56,626)
Board of Education	53,929	53,929	42,040	11,889
Administration	759,039	762,039	825,417	(63,378)
Fiscal	300,748	335,748	299,040	36,708
Operation and Maintenance of Plant	576,026	636,026	647,110	(11,084)
Pupil Transportation	472,005	483,660	481,085	2,575
Central	1,900	1,900	855	1,045
Extracurricular Activities	296,159	296,159	318,546	(22,387)
<b>Total Expenditures</b>	<b>8,730,091</b>	<b>9,056,163</b>	<b>9,048,633</b>	<b>7,530</b>
Excess of Revenues Over Expenditures	(114,041)	(440,113)	(248,931)	191,182
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets			10,000	10,000
Advances In	24,000	24,000	24,000	
Advances Out	(24,000)	(24,000)	(24,000)	
Transfers Out		(1,761)	(1,712)	49
<b>Total Other Financing Sources (Uses)</b>		<b>(1,761)</b>	<b>8,288</b>	<b>10,049</b>
Changes in Fund Balance	(114,041)	(441,874)	(240,643)	201,231
Fund Balance at Beginning of Year	405,298	405,298	405,298	
Prior Year Encumbrances Appropriated	127,185	127,185	127,185	
<b>Fund Balance at End of Year</b>	<b>\$418,442</b>	<b>\$90,609</b>	<b>\$291,840</b>	<b>\$201,231</b>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008**

	<b>Private Purpose Trust</b>	<b>Agency</b>
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,792	\$86,217
Total Assets	<u>4,792</u>	<u>86,217</u>
<b>Liabilities</b>		
Accounts Payable	1,000	
Due to Students		86,217
Total Liabilities	<u>1,000</u>	<u>86,217</u>
<b>Net Assets</b>		
Held in Trust for Students	<u>\$3,792</u>	

*See accompanying notes to the basic financial statements.*

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<b>Private Purpose Trust</b>
<b>Additions</b>	
Gifts and Donations	<u>\$5,130</u>
<b>Deductions</b>	
Non-instructional Services	<u>11,942</u>
Change in Net Assets	(6,812)
Net Assets at Beginning of Year	<u>10,604</u>
Net Assets at End of Year	<u><u>\$3,792</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, 2008**

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

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

The School District was established in 1862. The School District serves an area of approximately fifty-three square miles. It is located in Allen and Van Wert Counties, and includes all of the City of Delphos and portions of Marion and Washington Townships. The School District is the 454th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty classified employees, eighty-two certified teaching personnel, and nine administrative employees who provide services to 1,102 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, 2008, there were no component units of the Delphos City School District.

The following activity is included within the reporting entity:

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

The School District participates in two jointly governed organizations, two insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, Allen County Schools Health Benefit Plan, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Delphos Community Public Library. These organizations are presented in Notes 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, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

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



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's major funds are the General Fund and the Permanent Improvement capital projects fund.

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

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

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

**2. Fiduciary Funds**

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

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(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 nonexchange transactions must also be available before it can be recognized.

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**2. Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 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 revised tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The revised tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the object level for the General Fund and Permanent Improvement capital projects fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function level within the General Fund and Permanent Improvement capital projects fund and the function and object level in all other funds are made by the Treasurer.

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

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**F. Cash and Investments**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 was \$63,963, which includes \$22,678 assigned from other School District funds.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unexpended revenues restricted for bus purchases.

**J. Capital Assets**

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**K. Compensated Absences**

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

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

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

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

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

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

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any net assets restricted by enabling legislation at June 30, 2008.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**N. Fund Balance Reserves**

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

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

**O. Capital Contributions**

Capital contributions arise from outside contributions of capital assets.

**P. Interfund Activity**

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

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

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

**Q. Estimates**

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

**3. CORRECTION OF AN ERROR AND RESTATEMENT OF NET ASSETS**

In prior fiscal years, the School District recorded the receivable for payment in lieu of taxes incorrectly. The restatement due to this correction had the following effect on net assets as previously reported.

	<b>Total Governmental Activities</b>
Net Assets, June 30, 2007	\$4,049,702
Payment in Lieu of Taxes Receivable	278,712
Adjusted Net Assets	<u>\$4,328,414</u>

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**4. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*", and GASB Statement No. 50, "*Pension Disclosures*".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$8,031 and \$25,609, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**5. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2008, the General Fund and the Food Service and Title VI R special revenue funds had deficit fund balances of \$367,493, \$21,997, and \$63, respectively, resulting from adjustments for accrued liabilities.

**B. Compliance**

The General Fund supplies and materials account had expenditures plus encumbrances in excess of appropriations, in the amount of \$1,581.

The Title VI R special revenue fund had appropriations in excess of estimated resources, in the amount of \$1,712.

**6. 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 and Actual - Non-GAAP Budget Basis for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

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

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

<b>Changes in Fund Balance</b>	
GAAP Basis	(\$376,446)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2007, Received in Cash FY 2008	465,103
Accrued FY 2008, Not Yet Received in Cash	(235,073)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,030,635)
Accrued FY 2008, Not Yet Paid in Cash	1,068,395
Cash on Hand at Beginning of Year	3,931
Cash on Hand at End of Year	(2,791)
Prepaid Items	(31,715)
Inventory Held for Resale	(8,486)
Materials and Supplies Inventory	(722)
Advances In	24,000
Advances Out	(24,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(92,204)
Budget Basis	<u><u>(\$240,643)</u></u>

**7. DEPOSITS AND INVESTMENTS**

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

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

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



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

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

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

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

**Deposits** - Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2008, the carrying amount of deposits was \$1,246,065 and the bank balance was \$1,408,509 of which \$1,308,509 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

**8. RECEIVABLES**

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), intergovernmental, property taxes, and payment in lieu of taxes receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and payment in lieu of taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes, in the amount of \$194,795, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
General Fund	
Donations	\$ 1,000
Refunds	93
Total General	1,093
Other Governmental Funds	
Title I	37,065
Drug Free	1,427
Miscellaneous Federal	1,290
Total Other Governmental Funds	39,782
Total Intergovernmental Receivables	<b>\$40,875</b>

**9. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**9. PROPERTY TAXES (Continued)**

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 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after October 1, 2007, 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 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 percent. This will be reduced to zero for 2009.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. For fiscal year 2008, the settlement from Allen County was delayed beyond fiscal year end.

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement and the real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late property tax settlement and 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, 2008, was \$320,670 in the General Fund and \$18,147 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$464,587 in the General Fund and \$11,095 in the Permanent Improvement capital projects fund.

The late settlement made by Allen County for fiscal year 2008 was \$28,652 in the General Fund and \$1,428 in the Permanent Improvement capital projects fund.

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**9. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2008 taxes were collected are:

	<b>2007 Second- Half Collections</b>		<b>2008 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real	\$150,013,050	89.27%	\$151,723,900	94.72%
Public Utility	4,770,050	2.84	3,984,420	2.49
Tangible Personal	13,261,459	7.89	4,475,851	2.79
Total Assessed Value	<u>\$168,044,559</u>	<u>100.00%</u>	<u>\$160,184,171</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.40		\$47.40	

**10. PAYMENT IN LIEU OF TAXES**

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

**11. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<b>Balance at 6/30/07</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/08</b>
<b>Governmental Activities</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$126,685			\$126,685
Construction in Progress	12,769		(\$12,769)	
Total Nondepreciable Capital Assets	<u>139,454</u>		<u>(12,769)</u>	<u>126,685</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	1,383,028			1,383,028
Buildings and Building Improvements	3,975,908	27,210	(74,745)	3,928,373
Improvements Other Than Buildings	20,930			20,930
Furniture, Fixtures, and Equipment	1,656,738	40,562	(49,308)	1,647,992
Vehicles	831,769	21,440	(30,232)	822,977
Total Depreciable Capital Assets	<u>7,868,373</u>	<u>89,212</u>	<u>(154,285)</u>	<u>7,803,300</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(957,996)	(22,193)		(980,189)
Buildings and Building Improvements	(1,465,715)	(48,673)	10,905	(1,503,483)
Improvements Other Than Buildings	(3,489)	(697)		(4,186)
Furniture, Fixtures, and Equipment	(906,253)	(82,190)	8,404	(980,039)
Vehicles	(391,256)	(51,174)	8,627	(433,803)
Total Accumulated Depreciation	<u>(3,724,709)</u>	<u>(204,927)</u>	<u>27,936</u>	<u>(3,901,700)</u>
Depreciable Capital Assets, Net	<u>4,143,664</u>	<u>(115,715)</u>	<u>(126,349)</u>	<u>3,901,600</u>
Governmental Activities Capital Assets, Net	<u>\$4,283,118</u>	<u>(\$115,715)</u>	<u>(\$139,118)</u>	<u>\$4,028,285</u>

During fiscal year 2008, the School District accepted contributions of capital assets with a fair value of \$1,500.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**11. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$ 59,911
Special	3,776
Vocational	2,772
<b>Support Services:</b>	
Pupils	2,314
Instructional Staff	7,540
Administration	9,809
Fiscal	2,167
Operation and Maintenance of Plant	16,128
Pupil Transportation	51,674
Non-instructional Services	7,239
Extracurricular Activities	41,597
Total Depreciation Expense	<u>\$204,927</u>

**12. RISK MANAGEMENT**

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

During fiscal year 2008, the School District contracted for the following insurance coverage.

Coverage purchased through the Netherlands Insurance Company is as follows:

General Liability	
Per Occurrence	\$2,000,000
Aggregate	4,000,000
Building and Contents	33,709,220
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.

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**13. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

**Plan Description** - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Funding Policy** - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$617,397, \$613,690, and \$588,931 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions for the DCP and CP for the fiscal year ended June 30, 2008, were \$1,247 made by the School District and \$5,526 made by plan members.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**B. School Employees Retirement System**

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

**Funding Policy** - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$94,769, \$92,833, and \$87,909, respectively; 49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**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, 2008, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**14. POST-EMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**14. POST-EMPLOYMENT BENEFITS (Continued)**

Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$47,588, \$47,259, and \$45,365 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. School Employee Retirement System**

**Plan Description** - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute.

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$15,605.

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

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$43,246, \$30,821, and \$30,678 respectively; 49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$6,828, \$6,313, and \$6,997 respectively; 49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.



**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**15. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**C. Separation Benefits**

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

**16. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

<b>Governmental Activities</b>	<b>Balance at</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at</b>	<b>Amounts Due</b>
	<b>6/30/07</b>			<b>6/30/08</b>	<b>Within</b>
					<b>One Year</b>
General Long-Term Obligations					
Compensated Absences Payable	<u>\$650,459</u>	<u>\$98,509</u>	<u>\$132,205</u>	<u>\$616,763</u>	<u>\$8,903</u>

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

The School District's overall debt margin was \$13,656,760 with an unvoted debt margin of \$151,742 at June 30, 2008.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**17. SET ASIDES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2007	(\$286,424)	
Current Year Set Aside Requirement	182,949	\$182,949
Qualifying Expenditures	(149,144)	
Current Year Offsets		(182,949)
Balance June 30, 2008	(\$252,619)	\$ 0

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

**18. INTERFUND TRANSFERS**

During fiscal year 2008, the General Fund made transfers other governmental funds, in the amount of \$1,712, to subsidize the activities of other funds.

**19. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative (NOACSC)**

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 2008, the School District paid \$21,757 to NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

**B. Vantage Joint Vocational School**

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

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(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 the Allen County Educational Service Center, 204 North Main Street, Lima, Ohio 45801.

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

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

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

**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 began in calendar year 2004. Financial information can be obtained from the Delphos Community Public Library, 309 West Second Street, Delphos, Ohio 45833.

**22. CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2008.

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**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>(Passed through Ohio Department of Education)</i>					
Food Donation Program	10.550		\$38,101		\$38,101
Nutrition Cluster:					
School Breakfast Program	10.553	\$13,333		\$13,333	
National School Lunch Program	10.555	166,802		166,802	
Total Nutrition Cluster:		180,135		180,135	
Total U.S. Department of Agriculture		180,135	38,101	180,135	38,101
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>(Passed through Ohio Department of Education)</i>					
Title I Grants to Local Educational Agencies	84.010			13,476	
		134,107		118,385	
Total Title I Grants to Local Educational Agencies		134,107		131,861	
Special Education Grants to States	84.027			9,485	
		370,449		362,822	
Total Special Education Grants to States		370,449		372,307	
Safe and Drug-Free Schools and Communities State Grants	84.186	1,040		1,406	
		3,972		3,871	
Total Safe and Drug-Free Schools and Communities State Grants		5,012		5,277	
State Grants for Innovative Programs	84.298	4,319		4,007	
Education Technology State Grants	84.318			551	
		647		497	
Total Education Technology State Grants		647		1,048	
Improving Teacher Quality State Grants	84.367			31	
		38,707		38,707	
Total Improving Teacher Quality State Grants		38,707		38,738	
Total U.S. Department of Education		553,241		553,238	
Total		<u>\$733,376</u>	<u>\$38,101</u>	<u>\$733,373</u>	<u>\$38,101</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the School District 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 value of the commodities received.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delphos City School District, Allen County, (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the School District's management in a separate letter dated January 9, 2009.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

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

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

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

**Mary Taylor, CPA**  
Auditor of State

January 9, 2009





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Delphos City School District, Allen County, (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
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**Internal Control Over Compliance  
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

January 9, 2009

**DELPHOS CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

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

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

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, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Finding for Recovery – overpayment of travel reimbursements - Repaid Under Audit	Yes	
2007-002	Expenditure Reimbursement Procedures	Yes	



**Mary Taylor, CPA**  
Auditor of State

**DELPHOS CITY SCHOOL DISTRICT**  
**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**FEBRUARY 3, 2009**