



Mary Taylor, CPA
Auditor of State

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

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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, the 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, 2007, 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 an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Delphos City School District, Allen County, as of June 30, 2007, 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 February 11, 2008, 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 the Schedule of Federal Awards Receipts and Expenditures 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.

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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

February 11, 2008

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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, 2007. 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 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 only major fund is the General 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 2007. 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 only major fund is the General Fund. While the School District uses many funds to account for its financial transactions, the General Fund is the only significant fund.

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, 2007
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 2007 and fiscal year 2006.

Table 1			
Net Assets			
	Governmental Activities		Change
	2007	2006	
Assets			
Current and Other Assets	\$6,666,124	\$6,268,836	\$397,288
Capital Assets, Net	4,283,118	4,440,840	(157,722)
Total Assets	10,949,242	10,709,676	239,566
Liabilities			
Current and Other Liabilities	6,249,081	6,124,395	124,686
Long-Term Liabilities	650,459	694,487	(44,028)
Total Liabilities	6,899,540	6,818,882	80,658
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,283,118	4,440,840	(157,722)
Restricted	441,391	312,500	128,891
Unrestricted (Deficit)	(674,807)	(862,546)	187,739
Total Net Assets	\$4,049,702	\$3,890,794	\$158,908

There were no significant changes from fiscal year 2006.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

**Table 2
Change in Net Assets**

	Governmental Activities		Change
	2007	2006	
Revenues			
Program Revenues			
Charges for Services	\$1,027,597	\$1,048,785	(\$21,188)
Operating Grants, Contributions, and Interest	1,792,001	1,719,403	72,598
Capital Grants and Contributions	19,203	37,370	(18,167)
Total Program Revenues	<u>2,838,801</u>	<u>2,805,558</u>	<u>33,243</u>
General Revenues			
Property Taxes	4,736,079	5,139,435	(403,356)
Payment in Lieu of Taxes	41,959	41,959	
Grants and Entitlements not Restricted to Specific Programs	3,123,295	2,902,104	221,191
Interest	54,596	32,110	22,486
Miscellaneous	17,088	15,349	1,739
Total General Revenues	<u>7,973,017</u>	<u>8,130,957</u>	<u>(157,940)</u>
Total Revenues	<u>10,811,818</u>	<u>10,936,515</u>	<u>(124,697)</u>
Expenses			
Instruction:			
Regular	4,505,710	4,311,522	194,188
Special	871,964	841,205	30,759
Vocational	510,557	547,503	(36,946)
Support Services:			
Pupils	450,873	493,953	(43,080)
Instructional Staff	445,215	511,913	(66,698)
Board of Education	37,389	16,917	20,472
Administration	780,757	807,008	(26,251)
Fiscal	294,805	300,484	(5,679)
Operation and Maintenance of Plant	658,156	722,247	(64,091)
Pupil Transportation	468,717	451,094	17,623
Central	14,340	11,274	3,066
Non-instructional Services	1,188,226	1,125,587	62,639
Extracurricular Activities	424,226	395,475	28,751
Intergovernmental	1,975	422	1,553
Total Expenses	<u>10,652,910</u>	<u>10,536,604</u>	<u>116,306</u>
Increase in Net Assets	158,908	399,911	(241,003)
Net Assets at Beginning of Year	3,890,794	3,490,883	399,911
Net Assets at End of Year	<u><u>\$4,049,702</u></u>	<u><u>\$3,890,794</u></u>	<u><u>\$158,908</u></u>

Program revenues stayed relatively the same between fiscal year 2006 and fiscal year 2007. 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 2006.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Costs for providing instruction continued to be approximately 55 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**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Instruction:				
Regular	\$4,505,710	\$4,311,522	\$3,838,592	\$3,636,777
Special	871,964	841,205	124,071	144,100
Vocational	510,557	547,503	442,572	467,635
Support Services:				
Pupils	450,873	493,953	376,011	390,656
Instructional Staff	445,215	511,913	445,215	511,913
Board of Education	37,389	16,917	37,389	16,917
Administration	780,757	807,008	780,757	807,008
Fiscal	294,805	300,484	294,805	300,484
Operation and Maintenance of Plant	658,156	722,247	556,975	619,949
Pupil Transportation	468,717	451,094	434,027	427,009
Central	14,340	11,274	14,340	11,274
Non-instructional Services	1,188,226	1,125,587	133,878	92,242
Extracurricular Activities	424,226	395,475	333,502	304,660
Intergovernmental	1,975	422	1,975	422
Total Expenses	<u>\$10,652,910</u>	<u>\$10,536,604</u>	<u>\$7,814,109</u>	<u>\$7,731,046</u>

The School District funds 75 percent of total instruction costs with property taxes and unrestricted grants and entitlements which is comparable to fiscal year 2006. Property taxes and unrestricted grants and entitlements also fund support services costs at 93 percent, which was comparable to fiscal year 2006. The School District funds 79 percent of extracurricular activities costs with property taxes and unrestricted grants and entitlements which is comparable to fiscal year 2006. 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 82 percent of its funding through operating grants restricted to special education purposes. Noninstructional services provided for 89 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, 2007
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 only major fund is the General Fund. There was an insignificant decrease in both revenues and expenditures in the General Fund in fiscal year 2007; however, there was an overall increase in fund balance which gave the General Fund a positive fund balance at fiscal year end.

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 2007, the School District amended its General Fund budget as needed.

Estimated revenues were modified slightly 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 \$34,269 greater than final appropriations resulting in a statutory citation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Net capital assets decreased slightly during fiscal year 2007 due to depreciation expense exceeding additions. Note 9 provides additional details regarding capital assets.

Debt - The School District's long-term obligations consisted of compensated absences. Note 15 provides additional details regarding these obligations.

CURRENT ISSUES

For fiscal year 2008, the Board of Education has adopted appropriations slightly higher than those in fiscal year 2007 due to increases in salaries as approved through union negotiations. The School District continues cutting personnel costs through attrition.

The Board of Education has decided that all future expenditures from the Permanent Improvement capital projects fund should be for improvements to the buildings. The instructional buildings were constructed between 1910 and 1960 and require more repairs and maintenance.

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.

REQUEST FOR INFORMATION

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

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,055,531
Accounts Receivable	363
Intergovernmental Receivable	57,857
Prepaid Items	15,253
Inventory Held for Resale	12,110
Materials and Supplies Inventory	23,008
Property Taxes Receivable	5,502,002
Nondepreciable Capital Assets	139,454
Depreciable Capital Assets, Net	4,143,664
Total Assets	10,949,242
 Liabilities	
Accrued Wages and Benefits Payable	812,938
Accounts Payable	92,388
Matured Compensated Absences Payable	92,997
Separation Benefits Payable	24,255
Intergovernmental Payable	230,155
Deferred Revenue	4,996,348
Long-Term Liabilities	
Due Within One Year	20,881
Due in More Than One Year	629,578
Total Liabilities	6,899,540
 Net Assets	
Invested in Capital Assets	4,283,118
Restricted for:	
Capital Projects	231,269
Other Purposes	210,122
Unrestricted (Deficit)	(674,807)
Total Net Assets	\$4,049,702

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$506,001	\$519,117	\$1,025,118
Accounts Receivable		363	363
Intergovernmental Receivable	516	57,341	57,857
Prepaid Items	15,253		15,253
Inventory Held for Resale	5,131	6,979	12,110
Materials and Supplies Inventory	17,687	5,321	23,008
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	30,413		30,413
Property Taxes Receivable	5,206,175	295,827	5,502,002
Total Assets	<u>5,781,176</u>	<u>884,948</u>	<u>6,666,124</u>
Liabilities and Fund Balances			
Liabilities			
Accrued Wages and Benefits Payable	738,962	73,976	812,938
Accounts Payable	35,564	56,824	92,388
Matured Compensated Absences Payable	60,218	32,779	92,997
Intergovernmental Payable	195,891	34,264	230,155
Deferred Revenue	4,741,588	324,555	5,066,143
Total Liabilities	<u>5,772,223</u>	<u>522,398</u>	<u>6,294,621</u>
Fund Balances			
Reserved for Property Taxes	464,587	11,095	475,682
Reserved for Bus Purchases	30,413		30,413
Reserved for Encumbrances	108,436	96,331	204,767
Unreserved, Reported in			
General Fund (Deficit)	(594,483)		(594,483)
Special Revenue Funds		111,426	111,426
Capital Projects Funds		143,698	143,698
Total Fund Balance	<u>8,953</u>	<u>362,550</u>	<u>371,503</u>
Total Liabilities and Fund Balances	<u>\$5,781,176</u>	<u>\$884,948</u>	<u>\$6,666,124</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, 2007**

Total Governmental Fund Balances		\$371,503
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.		4,283,118
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	\$39,823	
Property Taxes Receivable	<u>29,972</u>	
		69,795
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences Payable	(650,459)	
Separation Benefits Payable	<u>(24,255)</u>	
		<u>(674,714)</u>
Net Assets of Governmental Activities		<u><u>\$4,049,702</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, 2007**

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Revenues			
Property Taxes	\$4,485,827	\$246,412	\$4,732,239
Payment in Lieu of Taxes	41,959		41,959
Intergovernmental	3,360,373	1,404,705	4,765,078
Interest	54,596	10,606	65,202
Tuition and Fees	641,247		641,247
Charges for Services		245,785	245,785
Extracurricular Activities		140,565	140,565
Gifts and Donations	3,303	116,550	119,853
Miscellaneous	16,224	864	17,088
Total Revenues	<u>8,603,529</u>	<u>2,165,487</u>	<u>10,769,016</u>
Expenditures			
Current:			
Instruction:			
Regular	4,311,695	90,439	4,402,134
Special	485,958	385,691	871,649
Vocational	496,064	7,983	504,047
Support Services:			
Pupils	372,168	73,801	445,969
Instructional Staff	431,190	1,803	432,993
Board of Education	37,389		37,389
Administration	770,004	3,980	773,984
Fiscal	273,619	12,135	285,754
Operation and Maintenance of Plant	556,766	56,276	613,042
Pupil Transportation	416,088		416,088
Central	1,378	12,590	13,968
Non-instructional Services		1,188,480	1,188,480
Extracurricular Activities	291,154	100,607	391,761
Capital Outlay		181,181	181,181
Intergovernmental		1,975	1,975
Total Expenditures	<u>8,443,473</u>	<u>2,116,941</u>	<u>10,560,414</u>
Changes in Fund Balances	160,056	48,546	208,602
Fund Balances (Deficit) at Beginning of Year	<u>(151,103)</u>	<u>314,004</u>	<u>162,901</u>
Fund Balances at End of Year	<u><u>8,953</u></u>	<u><u>362,550</u></u>	<u><u>371,503</u></u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2007**

Changes in Fund Balances - Total Governmental Funds **\$208,602**

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:

Nondepreciable Capital Assets	\$12,769	
Depreciable Capital Assets	59,123	
Depreciation	<u>(204,772)</u>	
		(132,880)

The book value of 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.		(24,842)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Property Taxes	3,840	
Intergovernmental	<u>38,962</u>	
		42,802

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	44,028	
Separation Benefits Payable	<u>21,198</u>	
		<u>65,226</u>

Change in Net Assets of Governmental Activities **\$158,908**

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$4,389,307	\$4,389,307	\$4,634,134	\$244,827
Payment in Lieu of Taxes	42,000	42,000	41,959	(41)
Intergovernmental	3,424,280	3,439,483	3,361,905	(77,578)
Interest	40,000	40,000	52,349	12,349
Tuition and Fees	617,000	617,326	641,329	24,003
Gifts and Donations	10,000	10,000	3,303	(6,697)
Miscellaneous	18,000	18,000	23,198	5,198
Total Revenues	<u>8,540,587</u>	<u>8,556,116</u>	<u>8,758,177</u>	<u>202,061</u>
Expenditures				
Current:				
Instruction:				
Regular	3,944,661	4,014,277	4,055,781	(41,504)
Special	422,760	426,334	469,175	(42,841)
Vocational	257,299	259,674	296,486	(36,812)
Other	451,322	491,322	535,099	(43,777)
Support Services:				
Pupils	450,221	450,221	386,967	63,254
Instructional Staff	450,534	450,534	448,679	1,855
Board of Education	26,838	26,838	40,870	(14,032)
Administration	789,856	789,856	765,024	24,832
Fiscal	287,214	287,214	278,820	8,394
Operation and Maintenance of Plant	677,266	620,566	561,383	59,183
Pupil Transportation	416,518	416,518	408,731	7,787
Central	1,313	1,313	1,878	(565)
Extracurricular Activities	271,674	271,674	291,717	(20,043)
Total Expenditures	<u>8,447,476</u>	<u>8,506,341</u>	<u>8,540,610</u>	<u>(34,269)</u>
Excess of Revenues Over Expenditures	93,111	49,775	217,567	167,792
Other Financing Sources (Uses)				
Advances In	5,000	5,000	5,000	
Advances Out	(5,000)	(5,000)	(5,000)	
Total Other Financing Sources (Uses)				
Changes in Fund Balance	93,111	49,775	217,567	167,792
Fund Balance at Beginning of Year	152,399	152,399	152,399	
Prior Year Encumbrances Appropriated	35,332	35,332	35,332	
Fund Balance at End of Year	<u>\$280,842</u>	<u>\$237,506</u>	<u>\$405,298</u>	<u>\$167,792</u>

See accompanying notes to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,604	\$88,700
Total Assets	<u>10,604</u>	<u>88,700</u>
Liabilities		
Due to Students		<u>\$88,700</u>
Net Assets		
Held in Trust for Scholarships	<u>\$10,604</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, 2007**

	Private Purpose Trust
Additions	
Gifts and Donations	\$7,307
Deductions	
Non-instructional Services	<u>3,961</u>
Change in Net Assets	3,346
Net Assets at Beginning of Year	<u>7,258</u>
Net Assets at End of Year	<u><u>\$10,604</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, 2007**

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 with the consolidation of existing land areas and school districts. 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 461st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty classified employees, eighty-three certified teaching personnel, and nine administrative employees who provide services to 1,080 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, 2007, 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 four jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the West Central Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, Schools of Ohio Risk Sharing Authority, 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 17, 18, and 19 to the basic financial statements.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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. Nonmajor 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, 2007
(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 fund is the General 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.

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 funds account for various student-managed activities.

C. Measurement Focus

1. Government-Wide Financial Statements

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

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

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions

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

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

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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, 2007, but which were levied to finance fiscal year 2008 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, 2007
(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 2007 was \$54,596, which includes \$16,135 assigned from other School District funds.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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	20 - 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, 2007
(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 and separation benefits that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include 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, 2007.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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. 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.

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

P. 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. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2007, the Food Service, Title I, and Title IIA special revenue funds had deficit fund balances of \$27,111, \$7,096, and \$62, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The General Fund fringe benefits account and the Drug Free special revenue fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$83,105 and \$394, respectively.

The School District will monitor budgetary transactions to avoid this situation in the future.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Changes in Fund Balance

GAAP Basis	\$ 160,056
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	621,998
Accrued FY 2007, Not Yet Received in Cash	(465,103)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(984,999)
Accrued FY 2007, Not Yet Paid in Cash	1,030,635
Cash on Hand at Beginning of Year	1,684
Cash on Hand at End of Year	(3,931)
Prepaid Items	(10,217)
Inventory Held for Resale	(2,384)
Materials and Supplies Inventory	(2,987)
Advances In	5,000
Advances Out	(5,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(127,185)
Budget Basis	\$ 217,567

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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); and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

Deposits - Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2007, the carrying amount of deposits was \$1,154,835 and the bank balance was \$1,252,801 of which \$1,152,801 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.

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

6. RECEIVABLES

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	<u>\$ 516</u>
Other Governmental Funds	
Lunchroom	16,478
Title I	37,695
Drug Free	1,040
Miscellaneous Federal	<u>2,128</u>
Total Other Governmental Funds	<u>57,341</u>
Total Intergovernmental Receivables	<u>\$57,857</u>

7. PROPERTY TAXES

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, 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 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after October 1, 2006, on the value as of December 31, 2006. 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 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and 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.

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are 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, 2007, was \$464,587 in the General Fund and \$11,095 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2006, was \$611,405 in the General Fund and \$38,040 in the Permanent Improvement capital projects fund. The late settlement made by the County for fiscal year 2006 was \$1,489 in the General Fund and \$80 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, 2007
(Continued)**

7. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$141,426,940	84.83%	\$150,013,050	89.27%
Public Utility	4,737,060	2.84	4,770,050	2.84
Tangible Personal	20,553,751	12.33	13,261,459	7.89
Total Assessed Value	<u>\$166,717,751</u>	<u>100.00%</u>	<u>\$168,044,559</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.40		\$47.40	

8. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with two property owners under which the School District has granted property tax abatements. 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 are for a ten year period. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$126,685			\$126,685
Construction in Progress	70,350	\$12,769	(\$70,350)	12,769
Total Nondepreciable Capital Assets	<u>197,035</u>	<u>12,769</u>	<u>(70,350)</u>	<u>139,454</u>
Depreciable Capital Assets				
Land Improvements	1,383,028			1,383,028
Buildings and Building Improvements	3,946,336	29,572		3,975,908
Improvements Other Than Buildings	20,930			20,930
Furniture, Fixtures, and Equipment	1,636,224	84,396	(63,882)	1,656,738
Vehicles	816,264	15,505		831,769
Total Depreciable Capital Assets	<u>7,802,782</u>	<u>129,473</u>	<u>(63,882)</u>	<u>7,868,373</u>
Less Accumulated Depreciation				
Land Improvements	(935,803)	(22,193)		(957,996)
Buildings and Building Improvements	(1,417,703)	(48,012)		(1,465,715)
Improvements Other Than Buildings	(2,791)	(698)		(3,489)
Furniture, Fixtures, and Equipment	(861,349)	(83,944)	39,040	(906,253)
Vehicles	(341,331)	(49,925)	0	(391,256)
Total Accumulated Depreciation	<u>(3,558,977)</u>	<u>(204,772)</u>	<u>39,040</u>	<u>(3,724,709)</u>
Depreciable Capital Assets, Net	<u>4,243,805</u>	<u>(75,299)</u>	<u>(24,842)</u>	<u>4,143,664</u>
Governmental Activities Capital Assets, Net	<u>\$4,440,840</u>	<u>(\$62,530)</u>	<u>(\$95,192)</u>	<u>\$4,283,118</u>

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 58,250
Special	3,583
Vocational	2,859
Support Services:	
Pupils	2,980
Instructional Staff	9,897
Administration	11,517
Fiscal	2,167
Operation and Maintenance of Plant	15,478
Pupil Transportation	50,424
Non-instructional Services	6,345
Extracurricular Activities	41,272
Total Depreciation Expense	\$204,772

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Coverage purchased through SORSA is as follows:

General Liability	
Per Occurrence	\$ 4,000,000
Aggregate	6,000,000
Excess Liability	3,000,000
Building and Contents	26,484,369
Automobile Liability	4,000,000

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

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. RISK MANAGEMENT (Continued)

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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Co., provides administrative, cost control, and actuarial services to the Plan.

11. CONTRACTUAL OBLIGATIONS

The School District had the following contractual commitments outstanding as of June 30, 2007:

<u>Contractor</u>	<u>Purpose</u>	<u>Commitment</u>
NuWave Technology	Landeck Fire Alarm	\$15,015
Blacktop Sealing, Inc.	High School	24,695

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan 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 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement 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 for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$613,690, \$588,931 and \$564,600 respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$677 made by the School District and \$4,795 made by plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. 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 publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$99,146, \$94,906, and \$92,336, respectively; 45 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

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, 2007, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POST-EMPLOYMENT BENEFITS

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

STRS Ohio retirees who participated in the DB or the Combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$47,259 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits during the 2007 fiscal year, including the surcharge, was \$44,931.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. 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. All two hundred sixty day administrative personnel earn twenty days of vacation per contract period. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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

15. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

Governmental Activities	Balance at	Additions	Reductions	Balance at	Amounts Due
	6/30/06			6/30/07	Within
					One Year
General Long-Term Obligations					
Compensated Absences Payable	\$694,487	\$40,910	\$84,938	\$650,459	\$20,881

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

The School District's overall debt margin was \$13,502,751 with an unvoted debt margin of \$150,031 at June 30, 2007.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. 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 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$307,264)	
Current Year Set Aside Requirement	172,567	\$172,567
Qualifying Expenditures	(151,727)	
Current Year Offsets		(172,567)
Balance June 30, 2007	(\$286,424)	\$ 0

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

17. JOINTLY GOVERNED ORGANIZATIONS

A. West Central Ohio Regional Professional Development Center

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

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Allen County Educational Service Center, 1920 Slabtown Road, Lima, Ohio 45801.

B. West Central Ohio Special Education Regional Resource Center (SERRC)

The SERRC is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Northwest Ohio Area Computer Services Cooperative (NOACSC)

The School District is a participant in 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 2007, the School District paid \$19,365 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.

D. Vantage Joint Vocational School

The Vantage Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the twelve participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board.

Financial information can be obtained from the Vantage Joint Vocational School, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

18. INSURANCE POOLS

A. Schools of Ohio Risk Sharing Authority (SORSA)

The School District participates in SORSA, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, an accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and established agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

B. Allen County Schools Health Benefit Plan

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

18. INSURANCE POOLS (Continued)

Each school district decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from the Allen County Educational Service Center, 1920 Slabtown Rd, Lima, Ohio 45801.

C. 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.

19. 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.

20. CONTINGENCIES

Grants - The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

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**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE (Passed through Ohio Department of Education)						
Food Donation Program	N/A	10.550		\$74,560		\$74,560
Nutrition Cluster:						
National School Lunch Program	043885-LLP4-2006	10.555	\$115,716		\$115,716	
Total U.S. Department of Agriculture			115,716	74,560	115,716	74,560
U.S. DEPARTMENT OF EDUCATION (Passed through Ohio Department of Education)						
Title I, Grants to Local Educational Agencies	43885-C1S1-2005 43885-C1S1-2006	84.010	16,546 109,281		25,868 95,805	
Total Grants to Local Educational Agencies			125,827		121,673	
Idea-B Special Education Grants to States	43885-6BSF-2005 43885-6BSF-2006	84.027			9,030	
Total Idea-B Special Education Grants to States			368,107		358,622	
Drug Free Grant	43885-DR-S1-2005 43885-DR-S1-2006	84.186	218 4,469		510 4,103	
Total Drug Free Grant			4,687		4,613	
Title IV - Innovative Education Program Strategies	43885-C2S1-2005 43885-C2S1-2006	84.298			2	
Total Title IV - Innovative Education Program Strategies			2,734		2,734	
Education Technology Grants	43885-TJS1-2005 43885-TJS1-2006	84.318			191	
Total Education Technology Grants			1,881		1,330	
Improving Teacher Quality Grants	43885-TRS1-2005 43885-TRS1-2006	84.367	1,553 37,971		37,940	
Total Improving Teacher Quality Grants			39,524		37,940	
Total U.S. Department of Education			542,760		536,135	
TOTAL FEDERAL ASSISTANCE			\$658,476	\$74,560	\$651,851	\$74,560

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

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and 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 N. 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, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 11, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-002.

**Internal Control Over Financial Reporting
(Continued)**

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the School District's management in a separate letter dated February 11, 2008.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters that we reported to the School District's management in a separate letter dated February 11, 2008.

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

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



Mary Taylor, CPA
Auditor of State

February 11, 2008



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, 2007. 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, 2007.

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.

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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

February 11, 2008

**DELPHOS CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

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)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<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**

FINDING NUMBER 2007-001

Finding for Recovery – Repaid Under Audit

A reimbursement request was submitted by the Vocational Agriculture teacher for a lodging bill in the amount of \$318 and was paid on July 24, 2006; however, the School District had previously paid the same invoice directly to the company on June 26, 2006. A reimbursement request was also paid to the Vocational Agriculture teacher on August 28, 2006 for an invoice submitted for travel and lodging in the amount of \$369; however, the invoice actually totaled \$269, which resulted in an overpayment for a calculation error of \$100.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery, for money illegally expended, is hereby issued against the Vocational Agriculture teacher, Scott Elwer, in the amount of \$418 in favor of the Delphos City School District treasury.

This amount was repaid on two separate cashier's checks from Scott Elwer, in the amounts of \$318 and \$100, and were receipted into the Delphos City School District treasury on receipt numbers 3502 and 3503 and deposited on January 14, 2008.

FINDING NUMBER 2007-002

Significant Deficiency - Expenditure Reimbursement Procedures

There were seven teachers who made purchases outside of the purchase order process and received large reimbursement amounts. Eighty seven and one half percent of all reimbursements tested were approved on a then and now certificate after the purchase was submitted for payment. One teacher was reimbursed in excess of eleven thousand dollars, three teachers were reimbursed in excess of three thousand dollars and three teachers were reimbursed in excess one thousand dollars. There were problems with adequate supporting documentation, altered invoices, potential improper expenditures, and excessive mileage charges associated with the reimbursement of these expenditures.

The lack of a formal reimbursement policy which includes limits and requires proper detailed documentation support could lead to misappropriation of funds that may not be detected.

A policy should be adopted that would govern reimbursements for all employees for purchases made outside of the purchase order process. These policies should, at a minimum, identify the types of allowable reimbursable expenditures; limitations on amounts of reimbursement; types of supporting documentation required for reimbursement requests; and other guidelines deemed appropriate by the Board. The Board and management of the School District should analyze the types of expenditures being made through this process and determine which purchases could and should be made through the purchase order process. In addition, the Board could give thought to purchase cards that have a dollar limit.

Officials' Response:

The correction of this problem began even prior to this audit as we knew we had some concerns in this area. At the beginning of this fiscal and school year we began using a requisition system to start the purchase order process.

**FINDING NUMBER 2007-002
(Continued)**

We felt the first step in addressing the problem of reimbursements being done outside of the purchase order process was to eliminate as many of these as possible. New superintendent Jeff Price helped us drive home the point that asking for reimbursement for something you have not issued a requisition for would become fruitless. This makes employees plan ahead better and even question themselves on some of the things they may want to ask to be reimbursed for. Also, established since the end of the audit is a travel log system in which all company owner vehicles (van, school truck and ag. truck) will have a mileage log in each vehicle which will have a continuous record of the mileage, and will be filed with the treasurer. The ag. truck was added to reduce the amount of personal mileage paid to individuals and this log will provide the proper tracking of its use.

In the near future, the treasurer, the superintendent, the policy committee, and finally the board will look at and update the policy on reimbursements to using the recommendations and suggestions from this audit as a resource.

Other tools such as business based computer software are being looked at for student activities to not only reduce areas of potential fraud but also be used as an additional educational opportunity for students. This may be a first small step toward the goal of Treasurer Cordray of adding finance education to the curriculum.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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
MARCH 27, 2008**