

DEFIANCE CITY SCHOOL DISTRICT

DEFIANCE COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2007

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Education
Defiance City School District
629 Arabella Street
Defiance, Ohio 43512

We have reviewed the *Report of Independent Accountants* of the Defiance City School District, Defiance County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Defiance City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 6, 2008

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DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO
Audit Report
For the year ended June 30, 2007

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Charles E. Harris & Associates, Inc.
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REPORT OF INDEPENDENT ACCOUNTANTS

Defiance City School District
Defiance County
629 Arabella Street
Defiance, Ohio 43512

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Defiance City School District, Defiance County, Ohio, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Defiance City School District, Defiance County, Ohio, as of June 30, 2007, and the respective changes in financial position 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.

During fiscal year 2007, the District changed its accounting policies from generally accepted accounting principles to the modified cash basis of accounting. See Note 2 for further information.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Defiance City School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.

December 20, 2007

Defiance City School District
Defiance County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The discussion and analysis of Defiance City School District's (the "School District") financial performance provides an overall review 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; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$5,800,718, which represents a 40.53% increase from 2006.
- General receipts accounted for \$21,000,759 in receipts or 62.15% of all receipts and reflect the School District's significant dependence on local property taxes, income taxes and unrestricted state entitlements.
- The School District had \$27,989,677 in disbursements related to governmental activities; only \$12,789,636 of these disbursements was offset by program specific charges for services and sales, grants or contributions. General receipts supported the remaining disbursements associated with governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,200,041.
- The School District has received payments in lieu of taxes related to tax abatement agreements with several companies that are making capital investments in the School District. These payments have been placed into a permanent improvement fund. Receipts received in 2007 for payments in lieu of taxes were \$37,680.
- The School District is part of the Northern Buckeye Educational Council Employee Insurance Benefits Program with member school districts located primarily in Defiance, Fulton, Henry, and Williams Counties. As with all participants in the insurance consortium, the School District's health insurance premiums decreased 2 percent in fiscal year 2007.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Defiance City School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Defiance City School District, the General Fund and the OSFC Local/State Share Fund are the most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be equity in pooled cash and cash equivalents, and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents and investments. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Defiance City School District
Defiance County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

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 report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader whether the *financial* position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting receipt growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District discloses a single type of activity: governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds for fiscal year 2007 are the General Fund and OSFC Local/State Share Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using a modified cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

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 also use the modified cash basis of accounting.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and trust programs. This activity is presented as a private purpose trust. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 15 and 16. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Defiance City School District
Defiance County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The School District as a Whole

This year's financial statements were prepared on the modified cash basis format. The prior years' financial statements were prepared in accordance with generally accepted accounting principles in the United States.

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

Table 1
Net Assets
Governmental Activities

	2007	2006 (Restated)
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 13,254,572	\$ 13,680,114
Investments	6,857,124	630,864
Total Assets	\$ 20,111,696	\$ 14,310,978
Net Assets		
Restricted for:		
Capital Projects	\$ 18,188,539	\$ 12,060,540
Debt Service	225,586	228,022
Other Purposes	725,466	494,873
Unrestricted	972,105	1,527,543
Total Net Assets	\$ 20,111,696	\$ 14,310,978

For fiscal year 2007, a portion of the School District's net assets, \$19,139,591 represents resources that are subject to external restriction on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$972,105 may be used to meet the School District's ongoing obligations. For fiscal year 2006, these amounts were \$12,783,435 with external restrictions, and \$1,527,543 remaining for general operations.

Defiance City School District
Defiance County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Table 2 reflects the changes in net assets for fiscal year 2007. Since this is the first year the School District has prepared financial statements following the modified cash basis of accounting, receipt and disbursement comparisons to fiscal year 2006 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusions about the School District's financial status and possibly project future problems.

Table 2
Change in Net Assets
Governmental Activities

	2007
<u>Receipts</u>	
Program Receipts:	
Charges for Services	\$1,423,210
Operating Grants, Contributions, and Interest	3,457,073
Capital Grants and Contributions	7,909,353
Total Program Receipts	12,789,636
General Receipts:	
Property Taxes	7,484,704
Income Taxes	1,540,376
Payment in Lieu of Taxes	37,680
Grants and Entitlements	10,695,186
Bonds and Notes Issued	933,001
Proceeds from Sale of Capital Assets	12,870
Interest	141,804
Miscellaneous	155,138
Total General Receipts	21,000,759
Total Receipts	33,790,395
<u>Program Disbursements:</u>	
Instruction:	
Regular	9,761,330
Special	2,789,269
Vocational	322,364
Other	1,723,231
Support Services:	
Pupils	1,163,839
Instructional Staff	1,103,042
Board of Education	51,788
Administration	1,893,087
Fiscal	506,890
Operation and Maintenance of Plant	2,203,026
Pupil Transportation	912,341
Central	50,929
Food Services	870,978
Operation of Non-Instructional Services	239,842
Extracurricular Activities	747,984
Capital Outlay	1,860,964
Debt Service	1,788,773
Total Disbursements	27,989,677
Increase in Net Assets	\$5,800,718

**Defiance City School District
Defiance County**

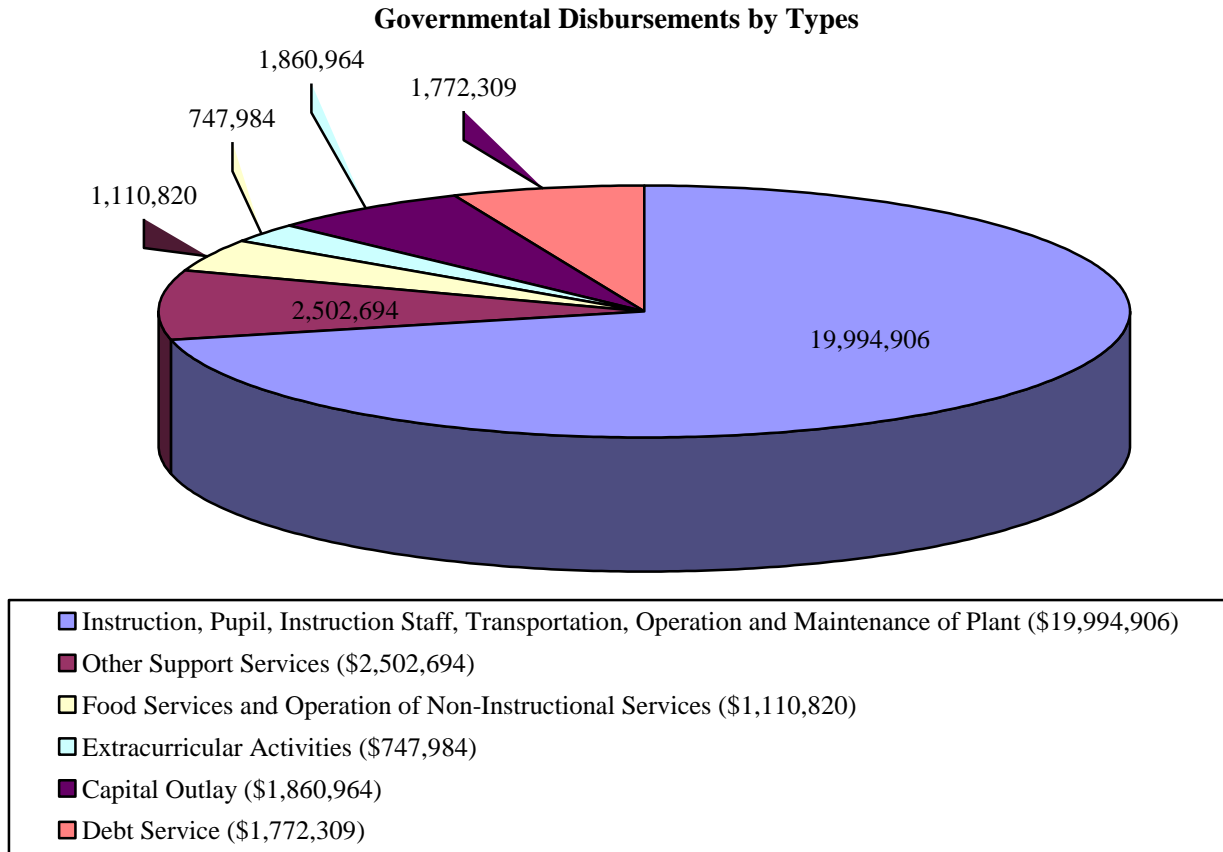
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The total disbursements of \$27,989,677 were offset by program receipts of \$12,789,636 and by general receipts of \$15,200,041. Program receipts supported 45.7% of the total governmental disbursements.

The primary sources of general receipts for governmental activities are derived from property taxes, income taxes, grants and entitlements. These receipt sources represent 58.4% of total governmental receipts.

The major program disbursements for governmental activities are for instruction, which accounts for 52.2% of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 11.4% of governmental disbursements. Maintenance of the School District's facilities also represents a significant disbursement, 7.9%. Therefore, 71.5% of the School District's disbursements are related to the primary functions of providing facilities and delivering education.

The graph below presents the portion of the disbursements which are related directly to the School District's primary functions.



**Defiance City School District
Defiance County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Governmental Activities

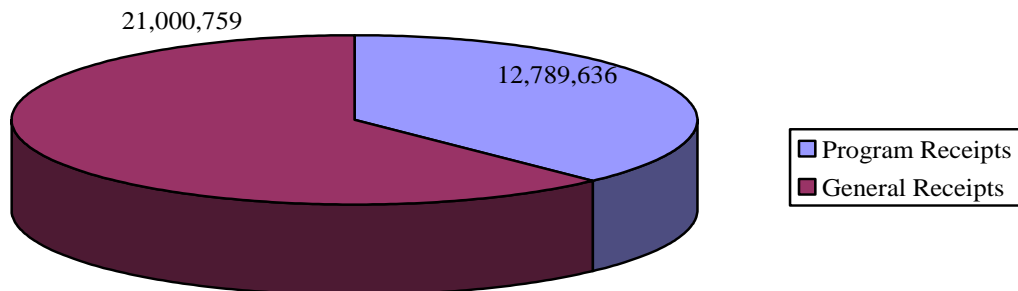
Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements. Comparisons to fiscal year 2006 have not been made since they are not available.

**Table 3
Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007
Instruction:		
Regular	\$ 9,761,330	\$ 9,094,809
Special	2,789,269	1,100,889
Vocational	322,364	231,371
Other	1,723,231	1,668,112
Support Services:		
Pupils	1,163,839	1,020,334
Instructional Staff	1,103,042	843,829
Board of Education	51,788	51,788
Administration	1,893,087	1,860,037
Fiscal	506,890	452,325
Operation and Maintenance of Plant	2,203,026	2,094,601
Pupil Transportation	912,341	743,026
Central	50,929	50,929
Food Services	870,978	(16,279)
Non-Instructional Services	239,842	(125,536)
Extracurricular Activities	747,984	431,311
Capital Outlay	1,860,964	(6,020,817)
Debt Service	1,788,773	1,719,312
Total Disbursements	<u>\$27,989,677</u>	<u>\$15,200,041</u>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is demonstrated in the previous table. Over 82% of instruction activities are supported through taxes and other general receipts. Approximately 58% of extracurricular activities disbursements are covered by general receipts.

Governmental Activities - General vs. Program Receipts



Defiance City School District
Defiance County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting on the fund financial statements. Including Other Financing Sources and Uses, total governmental funds had receipts of \$33,948,271 and disbursements of \$28,147,553 in fiscal year 2007. The overall positive change for 2007 is \$5,800,718 in fund balance for the fiscal year, due in part to the receipts provided by the bonds and bond anticipation notes.

General Fund - Fund balance at June 30, 2007 was \$972,105, including \$787,822 of unreserved fund balance. Unreserved fund balance comprised 81.0% of the total fund balance. General fund disbursements were \$21,465,995, or 76.7% of total governmental disbursements.

OSFC Local/State Share Fund - For fiscal year 2007, fund balance increased \$6,699,630 due to the receipt of funds for the OSFC building project.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The statement comparing the School District's original and final budget and actual results, for the General Fund, is presented as part of the basic financial statements.

During fiscal year 2007, the School District amended its General Fund budget as needed. Final budgeted receipts and other financing sources in the amount of \$21,069,229 were slightly above original budgeted receipts and other financing sources of \$20,691,033. This difference is mostly due to unanticipated increases in property taxes, state aide and interest.

General fund original budgeted disbursements and other financing uses of \$22,259,401 were decreased to \$22,208,922. The actual disbursements and other financing uses for fiscal year 2007 totaled \$21,806,154 which was \$402,768 less than the final budgeted disbursements.

Debt

The School District's outstanding debt obligations at fiscal year end consisted of an Elementary Building bond anticipation note for \$925,000 and the OSFC Elementary Building bonds of \$9,565,000. For further information regarding the School District's long-term obligation, see Note 13 to the basic financial statements.

Current Issues

The Defiance City School District continues to responsibly budget dollars coming to the School District. Perpetual challenges to the School District's financial outlook include the shortfalls in the state education budget, and aging facilities. Despite these challenges, the School District remains a strong service provider to the students of the Defiance area.

During fiscal year 2003, the Board of Education started receiving collections of receipts on a 5-year emergency levy which was approved by voters in 2002. In May 2007, citizens of the Defiance City Schools' community strongly showed their support of the school district and approved the passage of the 5-year emergency levy renewal. Unfortunately, the 5-year emergency levy renewal will not be sufficient to meet all general fund operating disbursements without having to seek additional support for operating monies prior to the renewal expiration in 2012. The necessity is largely due to the provisions of HB66 with the phase-out of the tangible personal property tax and increased operating disbursements. The type, term and size of this levy are undecided at this time.

Defiance City School District
Defiance County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The community has always taken great pride in building and support of the School District. In November 2005, the Board presented to the community, for the first attempt for approval, an OSFC proposal of constructing a new elementary building (Pre-K-5) and closing the four current elementary schools. Voters strongly agreed and supported the project with the passage of the bond issue. General trade and contractor bids were awarded in March 2007 with site work and construction beginning later that spring. An official ground-breaking ceremony was set for September 2007. A December 2008 date is set for ownership of the new building.

The Board of Education continues to aggressively market the School District to local and area students to increase enrollment. The Board looks forward to highlighting the many successful programs that the School District has to offer to young people in the Defiance area which will result in additional receipts to the Defiance City Schools.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Eric Beavers, CFO/Treasurer, Defiance City School District, 629 Arabella Street, Defiance, Ohio 43512.

Defiance City School District

Defiance County

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 13,254,572
Investments	<u>6,857,124</u>
<i>Total Assets</i>	<u><u>\$ 20,111,696</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$ 18,188,539
Debt Service	225,586
Other Purposes	725,466
Unrestricted	<u>972,105</u>
<i>Total Net Assets</i>	<u><u>\$ 20,111,696</u></u>

See accompanying notes to the financial statements

Defiance City School District

Defiance County

Statement of Activities

June 30, 2007

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Total
Governmental Activities:					
Instruction					
Regular	\$ 9,761,330	\$ 521,499	\$ 145,022	\$ 0	\$ (9,094,809)
Special	2,789,269	575	1,687,805	0	(1,100,889)
Vocational Education	322,364	0	90,993	0	(231,371)
Other	1,723,231	0	55,119	0	(1,668,112)
Support Services					
Pupil	1,163,839	0	143,505	0	(1,020,334)
Instructional Staff	1,103,042	0	259,213	0	(843,829)
Board of Education	51,788	0	0	0	(51,788)
Administration	1,893,087	0	33,050	0	(1,860,037)
Fiscal	506,890	51,840	2,725	0	(452,325)
Operation and Maintenance of Plant	2,203,026	0	108,425	0	(2,094,601)
Pupil Transportation	912,341	0	141,743	27,572	(743,026)
Central	50,929	0	0	0	(50,929)
Food Services	870,978	512,614	374,643	0	16,279
Operation of Non-Instructional Services	239,842	97,099	268,279	0	125,536
Extracurricular Activities	747,984	239,583	77,090	0	(431,311)
Capital Outlay	1,860,964	0	0	7,881,781	6,020,817
Debt Service					
Principal	1,309,622	0	69,461	0	(1,240,161)
Interest	471,150	0	0	0	(471,150)
Issuance Costs	8,001	0	0	0	(8,001)
Total Governmental Activities	\$ 27,989,677	\$ 1,423,210	\$ 3,457,073	\$ 7,909,353	(15,200,041)

General Receipts

Property Taxes Levied for:	
General Purposes	6,746,230
Building Maintenance	106,204
Debt Service	632,270
Income Taxes Levied for General Purposes	1,540,376
Payments in Lieu of Taxes	37,680
Grants and Entitlements not Restricted to Specific Programs	10,695,186
Proceeds from the Issuance of Bonds	933,001
Proceeds from Sale of Capital Assets	12,870
Interest	141,804
Miscellaneous	155,138
Total General Receipts	21,000,759
Change in Net Assets	5,800,718
Net Assets - Beginning of Year (Restated - See Note 3)	14,310,978
Net Assets - End of Year	\$ 20,111,696

See accompanying notes to the financial statements

Defiance City School District
Defiance County

Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
As of June 30, 2007

	General Fund	OSFC Local/State Share Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 972,105	\$ 9,630,503	\$ 2,651,964	\$ 13,254,572
Investments	0	6,857,124	0	6,857,124
<i>Total Assets</i>	<u>\$ 972,105</u>	<u>\$ 16,487,627</u>	<u>\$ 2,651,964</u>	<u>\$ 20,111,696</u>
 Fund Balances				
Reserved for Encumbrances	\$ 184,283	\$ 17,233,036	\$ 570,471	\$ 17,987,790
Unreserved:				
Undesignated, Reported in:				
General Fund	787,822	0	0	787,822
Special Revenue Funds	0	0	559,404	559,404
Debt Service Funds	0	0	225,586	225,586
Capital Projects Funds	0	(745,409)	1,296,503	551,094
<i>Total Fund Balances</i>	<u>\$ 972,105</u>	<u>\$ 16,487,627</u>	<u>\$ 2,651,964</u>	<u>\$ 20,111,696</u>

**Defiance City School District
Defiance County**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2007*

	General Fund	OSFC Local/State Share Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 6,746,231	\$ 0	\$ 738,475	\$ 7,484,706
Income Taxes	1,540,376	0	0	1,540,376
Payments in Lieu of Taxes	0	0	37,680	37,680
Intergovernmental	11,895,633	7,229,429	2,070,364	21,195,426
Interest	141,804	543,669	124,028	809,501
Tuition and Fees	522,074	0	97,099	619,173
Extracurricular Activities	0	0	238,333	238,333
Charges for Services	39,187	0	501,972	541,159
Gifts and Donations	3,366	0	147,996	151,362
Miscellaneous	37,850	0	62,590	100,440
<i>Total Receipts</i>	<u>20,926,521</u>	<u>7,773,098</u>	<u>4,018,537</u>	<u>32,718,156</u>
Disbursements				
Current:				
Instruction				
Regular	9,482,601	0	278,729	9,761,330
Special	2,139,240	0	650,029	2,789,269
Vocational Education	322,364	0	0	322,364
Other	1,684,296	0	38,935	1,723,231
Support Services				
Pupil	1,015,219	0	148,620	1,163,839
Instructional Staff	832,529	0	270,513	1,103,042
Board of Education	51,788	0	0	51,788
Administration	1,841,981	0	51,106	1,893,087
Fiscal	487,121	0	19,769	506,890
Operation and Maintenance of Plant	2,153,270	0	49,756	2,203,026
Pupil Transportation	789,986	0	122,355	912,341
Central	50,929	0	0	50,929
Food Services	0	0	870,978	870,978
Operation of Non-Instructional Services	0	0	239,842	239,842
Extracurricular Activities	457,506	0	290,478	747,984
Capital Outlay	140,701	1,073,468	646,795	1,860,964
Debt Service:				
Principal	15,872	0	1,293,750	1,309,622
Interest	592	0	470,558	471,150
Issuance Costs	0	0	8,001	8,001
<i>Total Disbursements</i>	<u>21,465,995</u>	<u>1,073,468</u>	<u>5,450,214</u>	<u>27,989,677</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(539,474)</u>	<u>6,699,630</u>	<u>(1,431,677)</u>	<u>4,728,479</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	0	925,000	925,000
Premium on Bonds and Notes Issued	0	0	8,001	8,001
Proceeds from Sale of Capital Assets	12,870	0	0	12,870
Refund of Prior Year Expenditures	127,042	0	1,986	129,028
Transfers-In	0	0	155,216	155,216
Refund of Prior Year Receipts	(660)	0	(2,000)	(2,660)
Transfers-Out	(155,216)	0	0	(155,216)
<i>Total Other Financing Sources (Uses)</i>	<u>(15,964)</u>	<u>0</u>	<u>1,088,203</u>	<u>1,072,239</u>
<i>Net Change in Fund Balances</i>	<u>(555,438)</u>	<u>6,699,630</u>	<u>(343,474)</u>	<u>5,800,718</u>
<i>Fund Balances - Beginning of Year (Restated - See Note 3)</i>	<u>1,527,543</u>	<u>9,787,997</u>	<u>2,995,438</u>	<u>14,310,978</u>
<i>Fund Balances - End of Year</i>	<u>\$ 972,105</u>	<u>\$ 16,487,627</u>	<u>\$ 2,651,964</u>	<u>\$ 20,111,696</u>
Encumbrances	<u>\$ 184,283</u>	<u>\$ 17,233,036</u>	<u>\$ 570,471</u>	<u>\$ 17,987,790</u>

See accompanying notes to the financial statements

Defiance City School District
Defiance County

Statement of Cash Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final		Variance with Final Budget
Receipts				
Property Taxes	\$ 6,659,134	\$ 6,746,231	\$ 6,746,231	\$ 0
Income Taxes	1,480,000	1,540,376	1,540,376	0
Intergovernmental	11,770,588	11,895,632	11,895,633	1
Interest	125,000	142,867	141,804	(1,063)
Tuition and Fees	523,436	521,715	522,074	359
Gifts and Donations	2,000	3,366	3,366	0
Charges for Services	39,875	46,687	39,187	(7,500)
Miscellaneous	19,500	31,943	37,850	5,907
<i>Total Receipts</i>	<u>20,619,533</u>	<u>20,928,817</u>	<u>20,926,521</u>	<u>(2,296)</u>
Disbursements				
Current:				
Instruction				
Regular	9,650,205	9,672,641	9,611,959	60,682
Special	2,573,034	2,201,407	2,139,680	61,727
Vocational Education	318,536	348,129	340,844	7,285
Other	1,449,900	1,722,351	1,687,692	34,659
Support Services				
Pupil	1,016,586	1,053,126	1,015,429	37,697
Instructional Staff	788,335	866,099	836,092	30,007
Board of Education	61,128	67,961	52,734	15,227
Administration	1,907,194	1,895,068	1,859,336	35,732
Fiscal	504,015	498,364	488,660	9,704
Operation and Maintenance of Plant	2,295,645	2,251,872	2,173,507	78,365
Pupil Transportation	852,885	805,204	794,042	11,162
Central	71,858	52,134	51,399	735
Food Service	18,250	1	0	1
Extracurricular Activities	463,517	469,060	457,553	11,507
Capital Outlay	134,313	149,629	141,351	8,278
<i>Total Disbursements</i>	<u>22,105,401</u>	<u>22,053,046</u>	<u>21,650,278</u>	<u>402,768</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,485,868)	(1,124,229)	(723,757)	400,472
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	5,500	12,870	12,870	0
Refund of Prior Year Expenditures	66,000	127,542	127,042	(500)
Refund of Prior Year Receipts	(1,000)	(660)	(660)	0
Transfers-Out	(153,000)	(155,216)	(155,216)	0
<i>Total Other Financing Uses</i>	<u>(82,500)</u>	<u>(15,464)</u>	<u>(15,964)</u>	<u>(500)</u>
<i>Net Change in Fund Balances</i>	(1,568,368)	(1,139,693)	(739,721)	399,972
<i>Fund Balance - Beginning of Year</i>	1,117,980	1,117,980	1,117,980	0
<i>Prior Year Encumbrances Appropriated</i>	<u>409,563</u>	<u>409,563</u>	<u>409,563</u>	<u>0</u>
<i>Fund Balance - End of Year</i>	<u>\$ (40,825)</u>	<u>\$ 387,850</u>	<u>\$ 787,822</u>	<u>\$ 399,972</u>

See accompanying notes to the financial statements

Defiance City School District
Defiance County

Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
As of June 30, 2007

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity Pooled in Cash and Cash Equivalents	\$ 31,531	\$ 92,685
	<u> </u>	<u> </u>
<i>Total Assets</i>	<u>\$ 31,531</u>	<u>\$ 92,685</u>
Net Assets		
Held in Trust for Scholarships	\$ 31,531	\$ 0
Held for Student Activities	<u>0</u>	<u>92,685</u>
	<u> </u>	<u> </u>
<i>Total Net Assets</i>	<u>\$ 31,531</u>	<u>\$ 92,685</u>

See accompanying notes to the financial statements

Defiance City School District
Defiance County

Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2007

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	\$ 31,521
Deductions	
	<u>0</u>
<i>Change in Net Assets</i>	31,521
<i>Net Assets - Beginning of Year (Restated - See Note 3)</i>	<u>10</u>
<i>Net Assets - End of Year</i>	<u><u>\$ 31,531</u></u>

See accompanying notes to the financial statements

Defiance City School District
Defiance County

Notes to the Basic Financial Statements
June 30, 2007

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Defiance 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 is the 224th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by one hundred eleven non-certified employees and two hundred seventeen certified teaching personnel who provide services to 2,465 students and other community members. The School District currently operates seven instructional/support buildings.

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 Defiance 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. There are no component units of the Defiance City School District.

The School District’s reporting entity includes non-public schools. Within the School District’s boundaries, the St John’s Catholic School, St. Mary’s Catholic School, St. John Lutheran School, and the Seventh Day Adventist School are operated as private schools. Current State legislation provides funding to the parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity is reflected in a special revenue fund of the School District.

The School District participates in six jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northwest Ohio Special Education Regional Resource Center, the Northwest Ohio Regional Professional Development Center, the Northern Buckeye Education Council Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District’s accounting policies.

Defiance City School District
Defiance County

Notes to the Basic Financial Statements
June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles, the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The School District also reports long-term investments as assets, valued at cost. See Note 2.E. for further detail.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e, when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. 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.

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between disbursements and program receipts for each program or function of the School District's governmental activities. Disbursements are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the School District.

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.

**Defiance City School District
Defiance County**

Notes to the Basic Financial Statements
June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. 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.

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. The School District's major governmental funds were the General Fund and OSFC Local/State Share 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.

OSFC Local/State Share Fund - This fund accounts for the specific receipts to be used for the new school building project.

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

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 college scholarships for students. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District's agency funds account for student athletic insurance, amounts held to pay for college placement tests, and various student-managed activities.

D. Budgetary Process

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

Defiance City School District
Defiance County

Notes to the Basic Financial Statements
June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts 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.

Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

Estimated Resources

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2007 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

E. Cash and Cash Equivalents

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

**Defiance City School District
Defiance County**

Notes to the Basic Financial Statements
June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2007, investments included nonnegotiable certificates of deposit, US Treasury/Agency bonds and STAROhio. Nonnegotiable certificates of deposit are reported at cost. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Total interest receipts credited to the School District, on the modified cash basis of accounting, during fiscal year 2007 was \$809,501. For the fund statements, \$141,804 interest was credited to the General Fund, which included approximately \$6,849, assigned from other funds, \$543,669 credited to the OSFC Local/State Share Fund and \$124,028 was recorded in non-major governmental funds.

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

F. 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 imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

H. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

I. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the School District.

J. Interfund Assets/Liabilities

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as transfers.
2. Reimbursements from one fund to another are treated as expenditures/disbursements in the reimbursing fund and a reduction in expenditures/disbursement in the reimbursed fund.

Defiance City School District
Defiance County

Notes to the Basic Financial Statements
June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements.

K. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as cash when received and payment of principal and interest are reported as disbursements when paid.

L. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received.

M. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

N. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net assets, and displayed in separate components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

Net assets restricted for other purposes include resources restricted for public school support programs, athletic programs, employee termination benefits, classroom facilities and maintenance tax levy proceeds, and federal and state grants restricted to cash disbursement for specified purposes. The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2007, the following represent the amount restricted by enabling legislation: classroom facilities and maintenance levy - \$230,560.

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance. The School District records reservations for portions of fund balances which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances.

**Defiance City School District
Defiance County**

Notes to the Basic Financial Statements
June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for service, operating and capital grants and contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING

The School District previously reported under generally accepted accounting principles. Effective July 1, 2006, the School District is reporting under the method described in Note 2. Beginning balances were restated on the basis of accounting in Note 2. All revenue and expense adjustments due to the accrual basis of accounting were adjusted as follows:

Fund Statements	Governmental Funds				Fiduciary
	General	OSFC	Other	Total	Private-purpose Trust Fund
		Local/State Share Fund	Governmental Funds	Governmental Funds	
GAAP Basis, 6-30-06	\$ 590,822	\$ 9,787,997	\$ 1,853,840	\$ 12,232,659	\$ 10
Adjustments					
Balance Sheet Accruals (do not affect Rev. or Exp.)	(68,000)	0	1,068,000	1,000,000	0
Revenue Accruals	(1,338,698)	0	(231,463)	(1,570,161)	0
Expense Accruals	2,343,419	0	305,061	2,648,480	0
Modified Cash Basis, 6-30-06	<u>\$ 1,527,543</u>	<u>\$ 9,787,997</u>	<u>\$ 2,995,438</u>	<u>\$ 14,310,978</u>	<u>\$ 10</u>
Entity-Wide Statements	Governmental Funds				
	<u>Total Governmental Funds</u>				
GAAP Basis, 6-30-06	\$ 9,623,368				
Balance Sheet Accrual (do not affect Rev. or Exp.)	1,000,000				
Adjustments					
Revenue Accruals	(17,067,823)				
Expense Accruals	20,755,433				
Modified Cash Basis, 6-30-06	<u>\$ 14,310,978</u>				

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

Defiance City School District
Defiance County

Notes to the Basic Financial Statements
June 30, 2007

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances corporate debt interest rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Defiance City School District
Defiance County**

Notes to the Basic Financial Statements
June 30, 2007

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

At year end, the carrying amount of the School District’s deposits was \$9,801,441 and the bank balance was \$9,869,232. Of the bank balance, \$800,100 was covered by federal depository insurance and the remaining uninsured bank balance of \$9,069,132 was collateralized with securities held by the pledging institution’s trust department not in the School District’s name.

As of June 30, 2007, the School District has \$4,400 in undeposited cash on hand. This amount is included in cash and cash equivalents.

Investments

Investments are reported at cost. As of June 30, 2007, the School District had the following investments:

	Cost	% of Total	Maturity (Months)	
			1-6	≥ 6
Federal Farm Credit Banks	\$ 278,338	2.7 %	\$ 278,338	\$ 0
FHLB	1,019,811	9.8	540,393	479,418
FNMA	1,380,228	13.2	1,077,533	302,695
FNMC	248,359	2.4	248,359	0
STAROhio	646,211	6.2	646,211	0
STAROhio - OSFC	6,857,124	65.7	6,857,124	0
Total Fair Value	<u>\$10,430,071</u>	<u>100.0 %</u>	<u>\$ 9,647,958</u>	<u>\$ 782,113</u>

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District’s policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Credit Risk

The School District’s investments at June 30, 2007 in Federal Farm Credit Banks, FHLB, FNMA, and FNMC are rated AAA by Standard & Poor’s. Its investment STAROhio is rated AAAM by Standard & Poor’s.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers’ acceptances to 25% of the interim monies available for investment at any one time. More than 5 percent of the School District’s investments are in FHLB, FNMA and STAROhio; these investments are 9.8%, 13.2% and 71.9%, respectively, of the School District’s total investments, for the amounts listed above.

NOTE 5 – INCOME TAXES

The School District levies a voted tax of .5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

NOTE 6 – 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.

**Defiance City School District
Defiance County**

Notes to the Basic Financial Statements
June 30, 2007

NOTE 6 – 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 receipts 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 receipts 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, 2006, 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 receipts 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 April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Defiance and Paulding 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.

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

	<u>2006 Second-Half Collections</u>		<u>2007 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 185,924,870	73.15%	\$ 186,929,400	75.31%
Industrial/Commercial	37,065,320	14.58%	35,906,130	14.46%
Public Utility	11,265,560	4.43%	14,058,868	5.66%
Tangible Personal Property	<u>19,924,208</u>	<u>7.84%</u>	<u>11,334,860</u>	<u>4.57%</u>
Total Assessed Value	<u>\$ 254,179,958</u>	<u>100.00%</u>	<u>\$ 248,229,258</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 43.80		\$ 43.80	

NOTE 7 – PAYMENTS IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2007 amounted to \$37,680.

**Defiance City School District
Defiance County**

Notes to the Basic Financial Statements
June 30, 2007

NOTE 8 – INTERFUND TRANSFERS

During fiscal year 2007, the School District made transfers between funds as follows:

	Transfers-In	Transfers-Out
Governmental:		
General Fund	\$ 0	\$ 155,216
All Other Governmental Funds	155,216	0
Total Governmental	\$ 155,216	\$ 155,216

During fiscal year 2007, the General Fund transferred \$151,684 to the Debt Service Fund and \$3,532 to the Gifted Supplement FY07 Fund to cover general operating obligations.

NOTE 9 – RISK MANAGEMENT

The School District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, vision, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to all participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and performs its obligations in accordance with the terms of the agreement.

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006 the School District contracted for the following insurance coverage:

Indiana Insurance Company:	Amount of Coverage
General Liability	
Per Occurrence	\$ 1,000,000
Total per Year	2,000,000
Umbrella Liability	
Per Occurrence	5,000,000
Total per Year	5,000,000
Building and contents	61,664,166
Cincinnati Insurance:	
Boiler Insurance	20,000,000
Auto Owners Insurance Company:	
Vehicle liability	1,000,000
Uninsured/Underinsured motorist	1,000,000

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.

Defiance City School District
Defiance County

Notes to the Basic Financial Statements
June 30, 2007

NOTE 10 - PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement and disability benefits based on eligible service credit to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.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.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Upon termination of a reemployed member, or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The contribution requirement of plan members and the School District are established and may be amended 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 contributions for pension obligations for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,065,542, \$1,022,657, and \$974,683 respectively; 87 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions to the DC and Combined plans included \$1,600 made by the School District and \$11,890 made by plan participants.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (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, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or on their website at www.ohsers.org.

Defiance City School District
Defiance County

Notes to the Basic Financial Statements
June 30, 2007

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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 years 2006 and 2005 (the latest information available), 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contribution to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$354,132, \$334,143, and \$321,343, respectively; equal to required contributions for each year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, three of the Board of Education members have elected Social Security.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. School Teachers Retirement System

The School District provides comprehensive health care benefits to retirees who participated in the DB or Combined Plans and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, and June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

STRS 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 fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

B. School Employees Retirement System

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. 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, 2006 (the latest information available), employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. 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.

**Defiance City School District
Defiance County**

Notes to the Basic Financial Statements
June 30, 2007

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

Healthcare benefits are financed on a pay-as-you-go basis. The target level for the health care fund is 150 percent of projected claims less premium contributions for the next fiscal year. Net health care costs for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. As of June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants eligible to receive benefits.

NOTE 12 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Unused vacation time can be carried forward with special permission and is limited to one year's accumulation. 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 twenty days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty-five days for all employees.

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program.

NOTE 13 – LONG-TERM OBLIGATIONS

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

Name of Debt	Interest Rate	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Due Within One Year
HB264 Energy Conservation Loan	2.65%	\$ 148,750	\$ 0	(\$ 148,750)	\$ 0	\$ 0
OSFC Elementary Building Note	4.50%	1,000,000	0	(1,000,000)	0	0
Elementary Building Note	4.60%	0	925,000	0	925,000	925,000
2006 OSFC Elementary Building Bond						
Serial Bonds	3.25-4.25%	5,690,000	0	(145,000)	5,545,000	100,000
Term Bonds	4.5-4.625%	4,020,000	0	0	4,020,000	0
Capital Lease	6.815%	15,872	0	(15,872)	0	0
Total Governmental long-term obligations		<u>\$ 10,874,622</u>	<u>\$ 925,000</u>	<u>(\$1,309,622)</u>	<u>\$10,490,000</u>	<u>\$1,025,000</u>

Energy Conservation Loan - On February 18, 2003, the School District obtained an energy conservation loan with an interest rate of 2.65 percent. Principal installments were payable February 1 and August 1 in the years 2003 through 2007. The loan matured February 1, 2007. The loan was retired from the Bond Retirement debt service fund.

OSFC Elementary Building Note - On January 26, 2006 the School District obtained a bond anticipation note in the amount of \$1,000,000 plus a premium of \$2,449 with an interest rate of 4.50 percent. The entire note balance matured on January 25, 2007 and was retired from the Bond Retirement debt service fund.

Defiance City School District
Defiance County

Notes to the Basic Financial Statements
June 30, 2007

NOTE 13 – LONG-TERM OBLIGATIONS (continued)

Elementary Building Note - During fiscal year 2007, the School District obtained a note in the amount of \$925,000 with stated interest of 4.60 percent. The entire note and interest will mature January 23, 2008.

2006 OSFC Elementary Building Bond - The School District issued \$9,710,000 in voted general obligation bonds for constructing, improving, making additions to school buildings and related site development, and retiring notes previously issued for such purposes. The bonds were issued on March 27, 2006. The bond issue included serial and term bonds in the amounts of \$5,690,000 and \$4,020,000, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

2006 Serial Bonds - The Current Interest Bonds were issued for a twenty-two fiscal year period with final maturity on December 1, 2027. The remaining principal amount to be redeemed as of June 30, 2007, is \$5,545,000.

2006 Term Bonds - The Term Bonds maturing on December 1, 2029 are subject to mandatory sinking fund redemption at redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2028 for \$545,000. The remaining \$580,000 principal amount of the Bonds due December 1, 2029 is to be paid at stated maturity.

The Term Bonds maturing on December 1, 2031 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2030 for \$655,000. The remaining \$690,000 principal amount of the Bonds due December 1, 2031 is to be paid at stated maturity.

The Term Bonds maturing on December 1, 2033 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2032 for \$730,000. The remaining \$820,000 principal amount of the Bonds due December 1, 2033, is to be paid at stated maturity.

The Bonds maturing on or after December 1, 2016 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after June 1, 2016, at a redemption price equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Payment requirements to retire general obligation debt at June 30, 2007 are as follows:

Fiscal Year Ending June 30,	Elementary Building Note- Principal	2006 OSFC Elementary Building Bond - Principal	Interest	Total
2008	\$ 925,000	\$ 100,000	\$ 461,078	\$ 1,486,078
2009	0	95,000	414,871	509,871
2010	0	125,000	410,746	535,746
2011	0	140,000	405,778	545,778
2012	0	150,000	400,340	550,340
2013-2017	0	1,230,000	1,875,481	3,105,481
2018-2022	0	1,235,000	1,597,203	2,832,203
2023-2027	0	1,955,000	1,254,615	3,209,615
2028-2032	0	2,985,000	714,306	3,699,306
2033-2034	0	1,550,000	73,769	1,623,769
Total	<u>\$ 925,000</u>	<u>\$ 9,565,000</u>	<u>\$7,608,187</u>	<u>\$18,098,187</u>

The School District's overall debt margin was \$12,076,219 with an unvoted debt margin of \$248,229 at June 30, 2007.

**Defiance City School District
Defiance County**

Notes to the Basic Financial Statements
June 30, 2007

NOTE 14 – STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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	\$ (993,574)	\$ 0
Current Year Set Aside Requirement	359,069	359,069
Qualifying Expenditures	(606,320)	(354,075)
Current Year Offsets		
Not Available for Carryover	0	(1,031,205)
Balance June 30, 2007	(1,240,825)	(1,026,211)
Prior Years Offsets Available for Carryover	0	(10,180,257)
Amount available as an offset to FY08	\$ 0	\$ (10,180,257)
Amount Carried Forward to FY08	\$ (1,240,825)	\$ 0

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. For capital improvements, only the extra amount as a result of capital disbursements from bond or note proceeds may be used to reduce the set aside reserve of future years.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. 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 NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2007, the School District paid \$45,640 to NWOCA for various services. Financial information can be obtained from Robin Fund, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, Robin Fund, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.

Defiance City School District
Defiance County

Notes to the Basic Financial Statements
June 30, 2007

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (continued)

C. Four County Career Center

The Four County Career Center (FCCC) is a distinct political subdivision of the State of Ohio which provides vocational education to students. FCCC is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts' elected boards. FCCC 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 Four County Career Center, Lois Knuth, who serves as Treasurer, Route 1, Box 245A, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education.

Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

E. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

F. Northwest Ohio Regional Professional Development Center

The Northwest Ohio Regional Professional Development Center (RPDC) is a jointly governed organization among the school districts in Defiance, Erie, Fulton, Henry, Lucas, Ottawa, Sandusky, Williams, and Wood counties. The RPDC focuses on the implementation of academic content standards and the deployment of State initiatives. All activities reflect definition of high quality professional development, including job-embedded, connected to strategic goals, sustained, intensive skill building, and measurement of impact on student learning.

The Center is governed by a fifteen 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 Northwest Ohio Regional Professional Development Center, 414 Emerald Street, 2nd Floor, Toledo, Ohio 43602.

Defiance City School District
Defiance County

Notes to the Basic Financial Statements
June 30, 2007

NOTE 16 – GROUP PURCHASING POOLS

A. Northern Buckeye Education Council Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Program is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the Northern Buckeye Education Council and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 17 - 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.

NOTE 18 – CONTRACTUAL COMMITMENTS

At June 30, 2007 the School District had the following outstanding contractual commitments for the building construction project:

<u>Contractor/Vendor</u>	<u>Unpaid Amount</u>	<u>Description</u>
MB Paving, LLC	\$ 18,136	Softball complex/walkway paving
Mel Lanzer Company	8,775,639	Metal roofing/Terrazo floor/General trades
Gustwiller Electric	10,800	Install scoreboards
Brint Electric, Inc.	2,499,000	Electrical systems/work
Fitzenrider, Inc.	2,679,340	Plumbing/HVAC work
FSE	40,562	Comm Services - Elem. Bldg. Project
Jackson & Sons	637,500	Geothermal well field work
Miller Contracting Group	1,460,778	Sitework service for new elementary
Soil Testing, Inc.	25,000	Testing service as needed
Touchstone CPM	916,301	Construction manager service - elem. OSFC Project
Touchstone CPM	19,469	Construction Service - LFI
Vulcan Enterprises, Inc.	241,283	Fire suppression system/work

NOTE 19 - LEASES

The School District has entered into a lease for RICOH workroom equipment with Marlin Leasing. The lease is for a term of 60 months. The lease includes a total of 20 quarterly payments of \$5,688 each.

The School District also leases band equipment. This equipment lease is paid monthly in the amount of \$359.

**Defiance City School District
Defiance County**

Notes to the Basic Financial Statements
June 30, 2007

NOTE 20 – CAPITAL LEASES-LESSEE DISCLOSURE

The School District had entered into a capitalized lease for equipment in fiscal year 2006. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease is reflected in the fund which will be making the lease payments. Capital lease payments were paid from the general fund. The lease was repaid in full during fiscal year 2007.

DEFIANCE CITY SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2007

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Agriculture</u>				
Passed Through the Ohio Department of Education				
Nutrition Cluster:				
National School Breakfast Program	N/A	10.553	\$ 46,982	\$ 46,982
National School Lunch Program	N/A	10.555	264,925	264,925
Total Nutrition Cluster			<u>311,907</u>	<u>311,907</u>
Food Distribution	N/A	10.550	72,995	72,995
Total U.S. Department of Agriculture			<u>384,902</u>	<u>384,902</u>
<u>U.S. Department of Education</u>				
Pass through Ohio Department of Education				
Special Education Cluster:				
Title VI-B - IDEA-B	043869-6BSF-2006	84.027	85,457	96,982
Title VI-B Autism Spectrum Grant	043869-6BSF-2007	84.027	662,988	644,229
Total Special Education Cluster			<u>748,445</u>	<u>741,211</u>
Title I	043869-C1S1-2006	84.010	55,993	58,974
Title I	043869-C1S1-2007	84.010	391,862	358,165
Total Title I			<u>447,855</u>	<u>417,139</u>
Title II-A Improving Teacher Quality	043869-TRS1-2006	84.367	809	891
Title II-A Improving Teacher Quality	043869-TRS1-2007	84.367	112,203	110,704
Total Title II-A			<u>113,012</u>	<u>111,595</u>
Title II-D - Educational Technology	043869-TJS1-2007	84.318	4,479	4,479
Total Title II-D			<u>4,479</u>	<u>4,479</u>
Title V - Innovative Education	043869-C2S1-2006	84.298	-	1,150
Title V - Innovative Education	043869-C2S1-2007	84.298	2,721	2,329
Total Title V			<u>2,721</u>	<u>3,479</u>
Title IV-A	043869-DRS1-2006	84.186	3,002	4,114
Title IV-A	043869-DRS1-2007	84.186	6,203	6,203
Total Title IV-A			<u>9,205</u>	<u>10,317</u>
Total U.S. Department of Education			<u>1,325,717</u>	<u>1,288,220</u>
Total Federal Awards			<u>\$ 1,710,619</u>	<u>\$ 1,673,122</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

DEFIANCE CITY SCHOOL DISTRICT
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2007

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain expenditures are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2007, the District had commodities in inventory recorded in the Food Service Fund.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Defiance City School District
Defiance County
629 Arabella Street
Defiance, Ohio 43512

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Defiance City School District, Defiance County, Ohio (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's financial statements and have issued our report thereon dated December 20, 2007, wherein we noted the District changed its accounting basis to the modified cash basis of accounting from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 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 a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are disclosed in the accompanying schedule of findings and questioned costs as items 2007-Defiance-001 and 002.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management in a separate letter dated December 20, 2007.

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

Charles E. Harris and Associates, Inc.
December 20, 2007

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Defiance City School District
Defiance County
629 Arabella Street
Defiance, Ohio 43512

To the Board of Education:

Compliance

We have audited the compliance of the Defiance City School District, Defiance County (District), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

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 a combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a likelihood that the 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 District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for 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.

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

Charles E. Harris & Associates, Inc.
December 20, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY
June 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

**DEFIANCE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
JUNE 30, 2007**

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

Finding Number: 2007-Defiance-001 – Noncompliance Citation

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the modified cash basis of accounting in a report similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonable determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Management Response:

Per Board Resolution 07-139 approved June 25, 2007; the Board authorized financial statements to be prepared in a GAAP like format beginning with fiscal year 2007. This is mainly due cost and time efficiencies.

Finding Number: 2007-Defiance–002 - Noncompliance Citation

Section 5705.39, Revised Code, states that appropriations from each fund shall not exceed the total estimated resources certified as available for expenditure by the county budget commission. The following fund was found to have appropriations in excess of the amount available for expenditure at June 30, 2007.

<u>Fund</u>	<u>Total Estimated Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
OSFC Elem.-Local/State	\$ 16,543,169	\$ 17,471,264	\$ (928,095)

**DEFIANCE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS - continued
JUNE 30, 2007**

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

Finding Number: 2007-Defiance-002 - Noncompliance Citation – (continued)

In addition, Auditor of State Audit Bulletin 97-010, requires budgetary information be tested at various points during the year. In September, 2006, the General Fund was found to have appropriations in excess of the amount available for expenditures by \$40,825.

Management Response:

After reviewing with Auditor of State personnel and Local Government Services personnel, the treasurer was informed that construction contracts must be encumbered at time of awarding and even if cash will not be received in the same fiscal year as the encumbrance.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending June 30, 2006, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

DEFIANCE CITY SCHOOL DISTRICT

DEFIANCE 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 6, 2008**