

**DEFIANCE CITY SCHOOL DISTRICT**

**DEFIANCE COUNTY**

**FINANCIAL STATEMENTS**

*Year Ended June 30, 2002*





**Auditor of State  
Betty Montgomery**

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Board of Education  
Defiance City School District  
Defiance, OH 43512

We have reviewed the Independent Auditor's Report of the Defiance City School District, Defiance County, prepared by Steyer & Co., for the audit period July 1, 2001 through June 30, 2002. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 29, 2003

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**DEFIANCE CITY SCHOOL DISTRICT  
629 ARABELLA STREET  
DEFIANCE, OHIO 43512**

**DEFIANCE COUNTY**

**ELECTED OFFICIALS AND  
ADMINISTRATIVE PERSONNEL  
*AS OF JUNE 30, 2002***

<u>TITLE</u>	<u>TERM OF OFFICE/ CONTRACT PERIOD</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
<b>BOARD OF EDUCATION</b>				
President: Peggy A. Rolf	01/01/00 - 12/31/04	The Cincinnati Insurance Company	\$50,000	Continuous
Vice-President: S.G. Brugler	01/01/00 - 12/31/04	The Cincinnati Insurance Company	\$50,000	Continuous
Members:				
Mark A. Klein	01/01/02 - 12/31/06	The Cincinnati Insurance Company	\$50,000	Continuous
Christine M. Oberlin	01/01/00 - 12/31/04	The Cincinnati Insurance Company	\$50,000	Continuous
Curtis J. Aldrich	01/01/02 - 12/31/06	The Cincinnati Insurance Company	\$50,000	Continuous
<b>ADMINISTRATIVE PERSONNEL</b>				
Superintendent: Dr. Richard Motuelle	08/01/00 - 07/31/04	The Cincinnati Insurance Company	\$50,000	12/28/99-12/28/02
Treasurer: Greg A. Buddelmeyer	02/04/02 - 12/31/02	The Cincinnati Insurance Company	\$50,000	02/04/02-02/04/05
Judy T. Mayes	01/01/00 - 01/01/02			
Joyce Kinsman	01/02/02 - 02/03/02			

**DEFIANCE CITY SCHOOL DISTRICT  
DEFIANCE COUNTY**

**INDEX OF FUNDS**

**GOVERNMENTAL FUND TYPES:**

**General Fund Type:**

General Fund

**Special Revenue Fund Type:**

District Managed Student Activities Fund(s)  
Disadvantaged Pupil Program Fund  
Title II/Eisenhower Grant Fund  
Education Management Information System (EMIS) Fund  
Disadvantaged Pupil Impact Aid Fund  
Title VI-B Grant Fund  
Title 1- Fund  
Textbook Subsidy  
Title VI - Innovative Education Program Fund  
Auxiliary Services Fund  
Educational Innovation Fund  
Principal's Funds  
Professional Development Grant Fund  
Ohio School to Work Program  
Drug Free Grant Fund  
Ohio Reads Program

**Debt Service Fund Type:**

Bond Retirement Fund

**Capital Projects Fund Type:**

Permanent Improvement Fund  
School Net Plus Fund  
School Net Technology Fund  
Emergency Building Repair Fund

**PROPRIETARY FUND TYPES:**

**Enterprise Fund Type:**

Food Service Fund  
Uniform School Supplies Fund

**FIDUCIARY FUND TYPES:**

**Expendable Trust Fund:**

Special Trust Fund

**Agency Fund Type:**

Student Managed Activities Fund(s)  
District Agency Fund

**Account Groups**

General Fixed Assets  
General Long-Term Obligations

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Defiance City School District  
Defiance, Ohio

We have audited the accompanying general purpose financial statements of the Defiance City School District as of and for the year ended June 30, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 3 to the basic financial statements, the District has decided to increase the threshold amount for capitalizing fixed assets and has decided to no longer capitalize textbooks and library books. This results in a change in accounting principle and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for 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 general purpose financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Steyer & Co." with a stylized flourish at the end of the word "Co."

STEYER & CO.  
Certified Public Accountants

Defiance, Ohio  
December 17, 2002

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
*AS OF JUNE 30, 2002*

	GOVERNMENTAL FUND TYPES				PROPRIETARY	FIDUCIARY	ACCOUNT		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	FUND TYPE Enterprise	FUND TYPES Trust and Agency	General Fixed Assets	General Long-term Obligations	
<b>ASSETS AND OTHER DEBITS</b>									
Equity in pooled cash and cash investments	\$ 3,096,591	\$ 527,331	\$ -	\$ 401,293	\$ 20,461	\$ 57,592	\$ -	\$ -	\$ 4,103,268
Receivables									
Property taxes	6,091,627	-	-	-	-	-	-	-	6,091,627
Income taxes	590,135	-	-	-	-	-	-	-	590,135
Accounts receivable	19,024	-	-	46,716	724	-	-	-	66,464
Intergovernmental	5,226	166,920	-	-	-	-	-	-	172,146
Interfund	8,932	-	-	-	-	-	-	-	8,932
Accrued interest	5,997	-	-	-	-	-	-	-	5,997
Due from other funds	569	-	-	-	-	-	-	-	569
Prepaid items	13,716	-	-	-	-	-	-	-	13,716
Inventory held for resale	-	-	-	-	24,318	-	-	-	24,318
Restricted assets:									
Equity in pooled cash and cash equivalents	624,832	-	-	-	-	-	-	-	624,832
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-	190,262	-	16,362,764	-	16,553,026
Amount to be provided from general government resources	-	-	-	-	-	-	-	2,134,212	2,134,212
Total Assets and Other Debits	<u>\$ 10,456,649</u>	<u>\$ 694,251</u>	<u>\$ -</u>	<u>\$ 448,009</u>	<u>\$ 235,765</u>	<u>\$ 57,592</u>	<u>\$ 16,362,764</u>	<u>\$ 2,134,212</u>	<u>\$ 30,389,242</u>

(Continued)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	
<b>LIABILITIES</b>									
Accounts payable	\$ 46,645	\$ 1,820	\$ -	\$ -	\$ 16,541	\$ -	\$ -	\$ -	\$ 65,006
Accrued wages and benefits payable	1,407,130	72,118	-	-	44,757	-	-	-	1,524,005
Compensated absences payable	31,870	-	-	-	28,764	-	-	1,317,818	1,378,452
Intergovernmental payable	288,697	26,299	-	-	42,429	-	-	132,756	490,181
Interfund payable	-	829	246	-	7,644	213	-	-	8,932
Due to other funds	-	569	-	-	-	-	-	-	569
Undistributed Assets	-	-	-	-	-	(213)	-	-	(213)
Due to Students	-	-	-	-	-	57,132	-	-	57,132
Deferred revenue	5,934,620	142,803	-	-	-	-	-	-	6,077,423
Energy conservation loan payable	-	-	-	-	-	-	-	123,638	123,638
General obligation bonds payable	-	-	-	-	-	-	-	560,000	560,000
Total Liabilities	7,708,962	244,438	246	-	140,135	57,132	-	2,134,212	10,285,125
<b>FUND EQUITY AND OTHER CREDITS</b>									
Investment in general fixed assets	-	-	-	-	-	-	16,362,764	-	16,362,764
Retained earnings:									
Unreserved	-	-	-	-	85,860	-	-	-	85,860
Contributed capital	-	-	-	-	9,770	-	-	-	9,770
Fund balance:									
Reserved for property taxes	273,800	-	-	-	-	-	-	-	273,800
Reserved for textbooks	94,756	-	-	-	-	-	-	-	94,756
Reserved for capital improvements	530,076	-	-	-	-	-	-	-	530,076
Reserved for encumbrances	86,181	62,594	-	-	-	-	-	-	148,775
Unreserved (deficit)	1,762,874	387,219	(246)	448,009	-	460	-	-	2,598,316
Total Fund Equity (Deficit) and Other Credits	2,747,687	449,813	(246)	448,009	95,630	460	16,362,764	-	20,104,117
Total Liabilities, Fund Equity and Other Credits	\$ 10,456,649	\$ 694,251	\$ -	\$ 448,009	\$ 235,765	\$ 57,592	\$ 16,362,764	\$ 2,134,212	\$ 30,389,242

*The accompanying notes are an integral part of these financial statements.*

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
*FOR THE YEAR ENDED JUNE 30, 2002*

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>REVENUES</b>						
Property taxes	\$ 5,300,838	\$ -	\$ -	\$ -	\$ -	\$ 5,300,838
Income taxes	1,417,219	-	-	-	-	1,417,219
Payment in lieu of taxes	-	-	-	100,404	-	100,404
Intergovernmental	9,642,857	1,143,704	-	98,980	-	10,885,541
Interest	136,824	16,906	-	128	-	153,858
Tuition and fees	5,540	-	-	-	-	5,540
Extracurricular activities	-	226,865	-	-	-	226,865
Gifts and donations	-	74,649	-	-	-	74,649
Miscellaneous	<u>73,434</u>	<u>2,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,420</u>
Total revenues	16,576,712	1,465,110	-	199,512	-	18,241,334
<b>EXPENDITURES</b>						
Instruction:						
Regular	8,081,885	303,020	-	-	-	8,384,905
Special	1,578,779	302,791	-	-	-	1,881,570
Vocational	247,563	-	-	-	-	247,563
Other	353,565	-	-	-	-	353,565
Support services:						
Pupils	939,160	30,443	-	-	-	969,603
Instructional staff	534,267	188,097	-	-	-	722,364
Board of education	121,870	-	-	-	-	121,870

(Continued)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Administration	1,481,719	40,465	-	-	-	1,522,184
Fiscal services	382,131	8,835	-	-	-	390,966
Operation and maintenance of plant	1,740,877	3,400	-	-	-	1,744,277
Pupil transportation	526,206	4,684	-	-	-	530,890
Central services	72,785	-	-	-	-	72,785
Non-instructional services	-	293,213	-	-	-	293,213
Extracurricular activities	352,575	270,544	-	-	-	623,119
Capital outlay	134,964	-	-	107,568	-	242,532
Intergovernmental	-	5,964	-	-	-	5,964
Debt service:						
Principal retirement	-	-	164,848	-	-	164,848
Interest and fiscal charges	-	-	44,062	-	-	44,062
Total expenditures	<u>16,548,346</u>	<u>1,451,456</u>	<u>208,910</u>	<u>107,568</u>	-	<u>18,316,280</u>
Excess of revenues over (under) expenditures	28,366	13,654	(208,910)	91,944	-	(74,946)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of fixed assets	3,960	-	-	-	-	3,960
Operating transfers in	-	30,000	208,664	-	-	238,664
Operating transfers out	<u>(238,664)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(238,664)</u>
Total other financing sources (uses)	<u>(234,704)</u>	<u>30,000</u>	<u>208,664</u>	<u>-</u>	<u>-</u>	<u>3,960</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(206,338)	43,654	(246)	91,944	-	(70,986)
Fund balances at beginning of year (Restated - Note 3)	<u>2,954,025</u>	<u>406,159</u>	<u>-</u>	<u>356,065</u>	<u>460</u>	<u>3,716,709</u>
Fund balances (deficit) at end of year	<u>\$ 2,747,687</u>	<u>\$ 449,813</u>	<u>\$ (246)</u>	<u>\$ 448,009</u>	<u>\$ 460</u>	<u>\$ 3,645,723</u>

*The accompanying notes are an integral part of these financial statements.*

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
*FOR THE YEAR ENDED JUNE 30, 2002*

	General Fund			Special Revenue Funds			Debt Service Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>REVENUES</b>									
Property taxes	\$ 5,549,215	\$ 5,611,288	\$ 62,073	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	1,630,143	1,431,814	(198,329)	-	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-	-	-	-	-
Intergovernmental	8,441,838	9,641,726	1,199,888	1,261,645	1,100,085	(161,560)	-	-	-
Interest	175,000	113,875	(61,125)	15,725	16,906	1,181	-	-	-
Tuition and fees	10,100	5,480	(4,620)	-	-	-	-	-	-
Extracurricular activities	-	-	-	249,870	226,975	(22,895)	-	-	-
Gifts and donations	-	-	-	172,400	74,649	(97,751)	-	-	-
Miscellaneous	37,600	16,021	(21,579)	1,200	2,986	1,786	-	-	-
Total revenues	15,843,896	16,820,204	976,308	1,700,840	1,421,601	(279,239)	-	-	-
<b>EXPENDITURES</b>									
Instruction:									
Regular	8,964,667	7,951,990	1,012,677	424,480	292,059	132,421	-	-	-
Special	1,641,037	1,559,157	81,880	376,675	306,258	70,417	-	-	-
Vocational	348,510	256,024	92,486	-	-	-	-	-	-
Other	479,000	350,197	128,803	-	-	-	-	-	-
Support services:									
Pupils	917,838	918,422	(584)	62,240	28,867	33,373	-	-	-
Instructional staff	627,126	500,852	126,274	183,029	155,279	27,750	-	-	-
Board of education	146,300	122,999	23,301	-	-	-	-	-	-
Administration	1,614,955	1,472,558	142,397	58,192	38,559	19,633	-	-	-
Fiscal services	461,001	385,395	75,606	8,875	8,875	-	-	-	-

(Continued)

	General Fund			Special Revenue Funds			Debt Service Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Operation and maintenance of plant	1,999,730	1,737,287	262,443	3,400	3,400	-	-	-	-
Pupil transportation	678,250	578,140	100,110	12,708	2,457	10,251	-	-	-
Central services	150,600	72,135	78,465	-	-	-	-	-	-
Non-instructional services	-	-	-	465,445	350,157	115,288	-	-	-
Extracurricular activities	342,700	346,289	(3,589)	370,052	282,300	87,752	-	-	-
Capital outlay	292,750	94,377	198,373	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	164,848	164,848	-
Interest and fiscal charges	-	-	-	-	-	-	43,816	44,062	(246)
Total expenditures	<u>18,664,464</u>	<u>16,345,822</u>	<u>2,318,642</u>	<u>1,965,096</u>	<u>1,468,211</u>	<u>496,885</u>	<u>208,664</u>	<u>208,910</u>	<u>(246)</u>
Excess of revenues over (under) expenditures	<u>(2,820,568)</u>	<u>474,382</u>	<u>3,294,950</u>	<u>(264,256)</u>	<u>(46,610)</u>	<u>217,646</u>	<u>(208,664)</u>	<u>(208,910)</u>	<u>(246)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Refund of prior year expenditures	25,000	45,703	20,703	-	-	-	-	-	-
Other financing uses	(38,946)	-	38,946	(3,634)	(4,290)	(656)	-	-	-
Sale of fixed assets	500	3,960	3,460	-	-	-	-	-	-
Operating transfers in	-	-	-	-	30,000	30,000	208,664	208,664	-
Operating transfers out	(208,664)	(238,664)	(30,000)	-	-	-	-	-	-
Advances in	-	30,000	30,000	-	-	-	-	-	-
Advances out	-	-	-	-	(30,000)	(30,000)	-	-	-
Total other financing sources (uses)	<u>(222,110)</u>	<u>(159,001)</u>	<u>63,109</u>	<u>(3,634)</u>	<u>(4,290)</u>	<u>(656)</u>	<u>208,664</u>	<u>208,664</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,042,678)</u>	<u>315,381</u>	<u>3,358,059</u>	<u>(267,890)</u>	<u>(50,900)</u>	<u>216,990</u>	<u>-</u>	<u>(246)</u>	<u>(246)</u>
Fund balances at beginning of year	3,205,820	3,205,820	-	355,813	355,813	-	-	-	-
Prior year encumbrances appropriated	<u>109,065</u>	<u>109,065</u>	<u>-</u>	<u>153,491</u>	<u>153,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 272,207</u>	<u>\$ 3,630,266</u>	<u>\$ 3,358,059</u>	<u>\$ 241,414</u>	<u>\$ 458,404</u>	<u>\$ 216,990</u>	<u>\$ -</u>	<u>\$ (246)</u>	<u>\$ (246)</u>

*The accompanying notes are an integral part of these financial statements.*

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
*FOR THE YEAR ENDED JUNE 30, 2002*

	Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>REVENUES</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,549,215	\$ 5,611,288	\$ 62,073
Income taxes	-	-	-	-	-	-	1,630,143	1,431,814	(198,329)
Payment in lieu of taxes	50,000	53,688	3,688	-	-	-	50,000	53,688	3,688
Intergovernmental	74,480	98,980	24,500	-	-	-	9,777,963	10,840,791	1,062,828
Interest	-	128	128	-	-	-	190,725	130,909	(59,816)
Tuition and fees	-	-	-	-	-	-	10,100	5,480	(4,620)
Extracurricular activities	-	-	-	-	-	-	249,870	226,975	(22,895)
Gifts and donations	-	-	-	-	-	-	172,400	74,649	(97,751)
Miscellaneous	-	-	-	-	-	-	38,800	19,007	(19,793)
Total revenues	124,480	152,796	28,316	-	-	-	17,669,216	18,394,601	725,385
<b>EXPENDITURES</b>									
Instruction:									
Regular	81,469	76,034	5,435	-	-	-	9,470,616	8,320,083	1,150,533
Special	-	-	-	-	-	-	2,017,712	1,865,415	152,297
Vocational	-	-	-	-	-	-	348,510	256,024	92,486
Other	-	-	-	-	-	-	479,000	350,197	128,803
Support services:									
Pupils	-	-	-	-	-	-	980,078	947,289	32,789
Instructional staff	7,034	7,034	-	-	-	-	817,189	663,165	154,024
Board of education	-	-	-	-	-	-	146,300	122,999	23,301
Administration	-	-	-	-	-	-	1,673,147	1,511,117	162,030
Fiscal services	-	-	-	-	-	-	469,876	394,270	75,606

(Continued)



	Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Operation and maintenance of plant	-	-	-	-	-	-	2,003,130	1,740,687	262,443
Pupil transportation	-	-	-	-	-	-	690,958	580,597	110,361
Central services	24,500	24,500	-	-	-	-	175,100	96,635	78,465
Non-instructional services	-	-	-	-	-	-	465,445	350,157	115,288
Extracurricular activities	-	-	-	460	-	460	713,212	628,589	84,623
Capital outlay	392,170	-	392,170	-	-	-	684,920	94,377	590,543
Debt service:									
Principal retirement	-	-	-	-	-	-	164,848	164,848	-
Interest and fiscal charges	-	-	-	-	-	-	43,816	44,062	(246)
Total expenditures	<u>505,173</u>	<u>107,568</u>	<u>397,605</u>	<u>460</u>	<u>-</u>	<u>460</u>	<u>21,343,857</u>	<u>18,130,511</u>	<u>3,213,346</u>
Excess of revenues over (under) expenditures	<u>(380,693)</u>	<u>45,228</u>	<u>425,921</u>	<u>(460)</u>	<u>-</u>	<u>460</u>	<u>(3,674,641)</u>	<u>264,090</u>	<u>3,938,731</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Refund of prior year expenditures	-	-	-	-	-	-	25,000	45,703	20,703
Other financing uses	-	-	-	-	-	-	(42,580)	(4,290)	38,290
Sale of fixed assets	-	-	-	-	-	-	500	3,960	3,460
Operating transfers in	-	-	-	-	-	-	208,664	238,664	30,000
Operating transfers out	-	-	-	-	-	-	(208,664)	(238,664)	(30,000)
Advances in	-	-	-	-	-	-	-	30,000	30,000
Advances out	-	-	-	-	-	-	-	(30,000)	(30,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,080)</u>	<u>45,373</u>	<u>62,453</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(380,693)</u>	<u>45,228</u>	<u>425,921</u>	<u>(460)</u>	<u>-</u>	<u>460</u>	<u>(3,691,721)</u>	<u>309,463</u>	<u>4,001,184</u>
Fund balances at beginning of year	356,065	356,065	-	460	460	-	3,918,158	3,918,158	-
Prior year encumbrances appropriated	-	-	-	-	-	-	262,556	262,556	-
Fund balances (deficit) at end of year	<u>\$ (24,628)</u>	<u>\$ 401,293</u>	<u>\$ 425,921</u>	<u>\$ -</u>	<u>\$ 460</u>	<u>\$ 460</u>	<u>\$ 488,993</u>	<u>\$ 4,490,177</u>	<u>\$ 4,001,184</u>

*The accompanying notes are an integral part of these financial statements.*

**DEFIANCE CITY SCHOOL DISTRICT  
DEFIANCE COUNTY  
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND EQUITY - ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Enterprise Funds</u>
<b>OPERATING REVENUES</b>	
Sales	\$ 599,816
Other	716
Total operating revenues	<u>600,532</u>
<b>OPERATING EXPENSES</b>	
Salaries	298,498
Fringe benefits	114,549
Purchased services	8,041
Materials and supplies	25,571
Cost of sales	460,215
Depreciation expense	10,500
Total operating expenses	<u>917,374</u>
<b>OPERATING LOSS</b>	(316,842)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal donated commodities	48,823
Operating grants	205,530
Interest	351
Loss on disposal of fixed assets	(2,439)
Total non-operating revenues (expenses)	<u>252,265</u>
<b>NET LOSS</b>	(64,577)
<b>RETAINED EARNINGS AT BEGINNING OF YEAR (RESTATED - NOTE 3)</b>	<u>150,437</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	85,860
<b>CONTRIBUTIONS FROM OTHER FUNDS</b>	<u>9,770</u>
<b>TOTAL FUND EQUITY AT END OF YEAR</b>	<u><u>\$ 95,630</u></u>

*The accompanying notes are an integral part of these financial statements.*

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND**  
**BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL ENTERPRISE FUND**  
*FOR THE YEAR ENDED JUNE 30, 2002*

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Sales	\$ 585,700	\$ 590,582	\$ 4,882
Operating grants	210,030	205,530	(4,500)
Interest	400	351	(49)
Other revenues	7,780	9,226	1,446
Total operating revenues	803,910	805,689	1,779
<b>OPERATING EXPENSES</b>			
Salaries	319,325	343,408	(24,083)
Fringe benefits	108,185	106,576	1,609
Purchased services	9,650	8,041	1,609
Materials and supplies	364,867	399,129	(34,262)
Capital outlay	38,608	32,531	6,077
Total operating expenses	840,635	889,685	(49,050)
Excess of revenues under expenses	(36,725)	(83,996)	(47,271)
Operating transfers out	(9,500)	-	9,500
Excess of revenues under expenses and transfers	(46,225)	(83,996)	(37,771)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	69,417	69,417	-
<b>PRIOR YEAR ENCUMBRANCES APPROPRIATED</b>	7,241	7,241	-
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b>	\$ 30,433	\$ (7,338)	\$ (37,771)

*The accompanying notes are an integral part of these financial statements.*

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
*FOR THE YEAR ENDED JUNE 30, 2002*

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 590,582
Cash received from other revenues	9,226
Cash payments for salaries	(343,408)
Cash payments for fringe benefits	(106,576)
Cash payments for goods and services	(396,046)
Net cash used in operating activities	<u>(246,222)</u>

**CASH FLOWS FROM NON-CAPITAL  
FINANCING ACTIVITIES**

Cash received from operating grants	205,530
Cash received from other funds	7,644
Net cash provided by non-capital financing activities	<u>213,174</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Cash payments for fixed assets	(23,500)
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash received from interest	<u>351</u>
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Net decrease in cash and cash equivalents (56,197)

Cash and cash equivalents, beginning of year 76,658

Cash and cash equivalents, end of year \$ 20,461

Reconciliation of operating loss to net cash used for operating activities:  
 Operating loss \$ (316,842)

Adjustments to reconcile operating loss to net cash used for operating activities:

Depreciation	10,500
Donated commodities received during year	48,823

Changes in assets and liabilities:

Increase in accounts receivable	(724)
Increase in inventory held for resale	(5,050)
Decrease in material snad supplies inventory	37,467
Increase in accounts payable	16,541
Decrease in accrued wages and benefits payable	(5,674)
Decrease in compensated absences payable	(12,420)
Decrease in intergovernmental payable	(18,843)

Net cash used for operating activities \$ (246,222)

**NON-CASH TRANSACTIONS:**

During fiscal year 2002, the General Fund contributed fixed assets, in the amount of \$9,770, to the Food Service enterprise fund.

During fiscal year 2002, the School District received donated commodities in the Food Service enterprise fund, in the amount of \$48,823.

*The accompanying notes are an integral part of these financial statements.*

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

**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 185<sup>th</sup> largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by one hundred thirteen classified employees, one hundred sixty certified teaching personnel, and fifteen administrative employees who provide services to 2,625 students and other community members. The School District currently operates seven instructional/support buildings.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government 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 for the organization. The School District has no component units.

The School District's reporting entity includes the following:

**Non-Public Schools** - Within the School District's boundaries, the St. John's Catholic School, St. Mary's Catholic School, St. John's 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 four 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. and 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 general purpose financial statements.

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

**Note 2 - Summary of Significant Accounting Policies**

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

***A. Basis Of Presentation - Fund Accounting***

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

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

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

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

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

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

***Debt Service Funds*** Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

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

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

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

***General Fixed Assets Account Group*** This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

***General Long-Term Obligations Account Group*** This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

***B. Measurement Focus and Basis of Accounting***

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

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the enterprise funds.

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

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable claim as of June 30, 2002, but which were levied to finance year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

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

***C. Budgetary Process***

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund and function level of expenditure for the General Fund and the fund level of expenditure 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 in the General Fund and the function and object level within all other funds are made by the School District Treasurer.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The Preschool Handicap special revenue fund is a flow through grant which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.



**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

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

***Appropriations*** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds and funds held by the Northwest Ohio Educational Service Center, consistent with statutory provisions.

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

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

***D. Cash and Cash Equivalents***

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

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

During fiscal year 2002, investments included non-negotiable certificates of deposit, repurchase agreements, and STAR Ohio. Non-negotiable certificates of deposit and repurchase agreements are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal year 2002 was \$136,824, which included \$16,491 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the 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 considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

***E. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

***F. Inventory***

Inventory in the enterprise funds is stated at the lower of cost or market on a first-in, first-out basis and is expensed when used. Inventory consists of donated and purchased food and school supplies held for resale.

***G. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials and the acquisition of capital improvements.

***H. Fixed Assets and Depreciation***

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

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

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

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

***I. Intergovernmental Revenues***

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

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

**Entitlements**

***General Fund***

State Foundation Program  
School Bus Purchase

**Non-Reimbursable Grants**

***Special Revenue Funds***

Title VIB - Flow Through  
Eisenhower Grant/Title II  
Title I  
Title VI  
Title VI-R  
Drug Free Schools  
Preschool  
Disadvantaged Pupil Program  
Excellence in Education  
Auxiliary Services  
Educational Management Information System  
Ohio School to Work Program  
Professional Development  
Ohio Reads Program

***Capital Projects Funds***

School Net Plus  
School Net Technology Grant

***Reimbursable Grants***

***General Fund***

Driver Education

***Proprietary Funds***

National School Lunch Program  
Government Donated Commodities

***J. Interfund Assets/Liabilities***

Short-term interfund loans are classified as "Interfund Receivables/Payables". Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from/to Other Funds" ..

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

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

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

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

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

***M. Contributed Capital***

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds prior to fiscal year 2001 that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Capital contributions received from other governments and private sources subsequent to fiscal year 2000 are recorded as revenues and increases to retained earnings. Capital contributions from other funds continue to be reported as contributed capital.

***N. Fund Balance Reserves***

The School District records reservations for portions of fund equity 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 equity reserves have been established for property taxes, textbooks, capital improvements, and encumbrances.

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***O. Interfund Transactions***

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***P. Estimates***

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

***Q. Total Columns on General Purpose Financial Statements***

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

**Note 3 – Correction of Error/Change in Accounting Principles**

In the prior year, there were several transactions recorded incorrectly in the special revenue funds. As a result, fund balance in the special revenue funds increased \$8,812, from \$397,347 to \$406,159.

For fiscal year 2001, the School District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$500 to \$2,500.

Fixed assets and accumulated depreciation in the enterprise funds decreased due to the change in the threshold amount for capitalizing fixed assets. Fixed assets decreased \$148,488, from \$465,922 to \$317,434, and accumulated depreciation decreased 475,503, from \$223,006 to \$147,502. As a result, retained earnings as previously reported as of June 30, 2001, decreased \$72,985, from \$223,422 to \$150,437.

The fixed assets reported in the general fixed assets account group decreased \$3,514,442, from \$19,897,783 to \$16,383,341, due to the change in the threshold amount for capitalizing fixed assets.

For fiscal year 2002, the School District has decided to no longer capitalize textbooks and library books.

**Note 4 – Accountability and Compliance**

***A. Accountability***

At June 30, 2002, the Title I and Title VI-R special revenue funds, and the Bond Retirement debt service fund had deficit fund balances, in the amount of \$9,896, \$8,540, and \$246, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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***B. Compliance***

The following accounts had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2002.

<u>Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<b>General Fund</b>			
Support Services – Pupils	\$ 917,838	\$ 918,422	\$ 584
Extracurricular Activities	342,700	346,289	3,589
Operating Transfers Out	208,664	238,664	30,000

The Title VI special revenue fund and the SchoolNet capital projects fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2002, in the amount of \$310 and \$24,628, respectively.

At June 30, 2002, the Title VI special revenue fund, the Bond Retirement debt service fund, the Food Service enterprise fund, and the District Managed Activities agency fund had deficit cash balances of \$829, \$246, \$7,644, and \$213 respectively.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosures in the enterprise funds (GAAP basis).
4. For the enterprise funds, the acquisition of fixed assets are reported on the operating statements (budget basis) rather than as balance sheet transactions (GAAP basis)
5. Although not part of the appropriated budget, the Preschool special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for all governmental fund types:

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$ (206,338)	\$ 43,654	\$ 91,944
Increase (decrease) due to			
Revenue accruals:			
Accrued FY 2001, received in cash FY 2002	1,081,061	110	-
Accrued FY 2002, not yet received in cash	(777,958)	(24,117)	(46,716)
Expenditure accruals:			
Accrued FY 2001, paid in cash FY 2002	(1,591,627)	(80,732)	-
Accrued FY 2002, not yet paid in cash	1,774,342	100,806	-
Cash adjustments:			
Unrecorded activity FY 2002	(13,908)	-	-
Prepaid items	(13,716)	-	-
Materials and supplies inventory	119,706	6,717	-
Advances in	30,000	-	-
Advances out	-	(30,000)	-
Excess of revenues under expenditures for nonbudgeted funds	-	760	-
Encumbrances outstanding at fiscal year			
End (Budget Basis)	(86,181)	(68,098)	-
Budget Basis	<u>\$ 315,381</u>	<u>\$ (50,900)</u>	<u>\$ 45,228</u>

Net Loss/Excess of Revenues Under Expenses and  
Transfers Enterprise Funds

GAAP Basis	\$ (64,577)
Increase (decrease) due to	
Revenue accruals:	
Accrued FY 2001, received in cash FY 2002	-
Accrued FY 2002, not yet received in cash	(724)
Expenditure accruals:	
Accrued FY 2001, paid in cash FY 2002	(152,887)
Accrued FY 2002, not yet paid in cash	132,491
Materials and supplies inventory	37,467
Inventory held for resale	(5,050)
Acquisition of fixed assets	(23,500)
Loss on disposal of fixed asset	2,439
Depreciation expense	10,500
Encumbrances outstanding at fiscal year	
End (Budget Basis)	(20,155)
Budget Basis	<u>\$ (83,996)</u>

**Note 6 - Deposits and Investments**

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

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

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

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

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

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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at anyone time; and
8. Under limited circumstances, corporate debt interests 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.



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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.

At fiscal year end, the School District had \$700 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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

At fiscal year end, the carrying amount of the School District's deposits was \$2,741,834 and the bank balance was \$3,997,614. Of the bank balance, \$303,679 was covered by federal depository insurance and \$3,693,935 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or the School District's agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	<u>\$ 698,758</u>	\$ 698,758	\$ 698,811
STAR Ohio		1,286,808	1,286,808
Totals		<u>\$ 1,985,566</u>	<u>\$ 1,985,619</u>

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No.9	\$ 4,728,100	\$ -
Cash on Hand	(700)	-
Investments:		
Repurchase Agreements	(698,758)	698,758
STAR Ohio	(1,286,808)	1,286,808
GASB Statement No.3	<u>\$ 2,741,834</u>	<u>\$ 1,985,566</u>

**Note 7 - Property Taxes**

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

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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 and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, 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 real and tangible personal property taxes received in calendar year 2002 were levied April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from 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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at fiscal year end. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$273,800 in the General Fund. The amount available as an advance at June 30, 2001, was \$584,250 in the General Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second-Half Collections		2002 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$151,209,430	66.44%	\$153,298,440	68.57%
Industrial/Commercial	30,005,190	13.18%	30,896,220	13.82%
Public Utility	17,498,640	7.68%	11,540,060	5.16%
Tangible Personal Property	28,885,526	12.70%	27,831,690	12.45%
Total	<u>\$227,598,786</u>	<u>100.00%</u>	<u>\$223,566,410</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 44.60		\$ 37.50	

During fiscal year 2002, a 7.1 mil operating levy expired.

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**Note 8 - 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 revenue is credited to the General Fund.

**Note 9 - Receivables**

Receivables at June 30, 2002, consisted of property taxes, income taxes, accounts (student fees, billings for user charged services, and rent), intergovernmental, interfund, accrued interest, and amounts due from other funds for services provided. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$66,464.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General fund	
Bowling Green State University	\$ 540
Ohio Department of Public Safety	500
Defiance County Auditor	1,131
Other School Districts	3,055
Total General Fund	5,226
Special Revenue Funds	
Eisenhower	2,693
Title VI-B	30,059
Title I	94,984
Title VI	2,910
Drug Free	1,384
Title VI-R	34,890
Total Special Revenue Funds	166,920
Total Intergovernmental Receivables	\$ 172,146

**Note 10 - Fixed Assets**

A summary of the enterprise funds fixed assets at June 30, 2002, follows:

	Enterprise
Furniture, fixtures and equipment	\$ 348,265
Less accumulated depreciation	(158,003)
Net fixed assets	\$ 190,262

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	Balance at 6/30/01	Additions	Deductions	Balance at 6/30/02
Land and improvements	\$ 1,715,496	\$ -	\$ -	\$ 1,715,496
Buildings and improvements	8,101,428	-	-	8,101,428
Furniture, fixtures and equipment	5,169,969	159,480	17,344	5,312,105
Vehicles	1,227,497	-	24,762	1,202,735
Textbooks and library books	168,951	-	168,951	-
Construction in Progress	-	31,000	-	31,000
Total	\$16,383,341	\$ 190,480	\$ 211,057	\$16,362,764

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**Note 11 - Interfund Assets/Liabilities**

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

	Receivable		Payable	
	Interfund	Due from Other Funds	Interfund	Due from Other Funds
General Fund	\$ 8,932	\$ 569	\$ -	\$ -
Special Revenue Funds				
Title VI-B	-	-	-	569
Title VI	-	-	829	-
Debt Service Fund				
Bond Retirement	-	-	246	-
Enterprise Fund				
Food Service	-	-	7,644	-
Agency Fund				
District Managed Activities	-	-	213	-
Total	\$ 8,932	\$ 569	\$ 8,932	\$ 569

**Note 12 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following insurance coverage.

Indiana Insurance Company:	
Building and contents	\$ 44,654,189
Cincinnati Insurance:	
Boiler	25,000,000
Nationwide Insurance:	
General liability	
Per occurrence	1,000,000
Total per year	5,000,000
Vehicle liability	1,000,000
Uninsured 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.

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 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.

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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 perform its obligations in accordance with the terms of the agreement.

**Note 13 - Defined Benefit Pension Plans**

***A. State Teachers Retirement System***

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$971,165, \$801,689, and \$526,511, respectively; 85 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$145,431, is recorded as a liability within the respective funds.

***B. School Employees Retirement System***

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$113,108, \$99,638, and \$120,542, respectively; 43 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$64,912, is recorded as a liability within the respective funds and the general long-term obligations account group.

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**Note 14 - Postemployment Benefits**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$460,025.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

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

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$231,716 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Note 15 - 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 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 sixteen days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty-four days for all employees.

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

***B. Other Employee 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 16 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Interest Rate	Balance at June 30, 2001	Additions	Reductions	Balance at June 30, 2002
Energy Conservation Loan	4.6%	\$ 181,486	\$ -	\$ 57,848	\$ 123,638
General Obligation Bonds	5.64	667,000	-	107,000	560,000
Compensated absences payable		1,824,520	-	506,702	1,317,818
Intergovernmental payable		123,194	132,756	123,194	132,756
Total General long-term obligations		<u>\$ 2,796,200</u>	<u>\$ 132,756</u>	<u>\$ 794,744</u>	<u>\$ 2,134,212</u>

Energy Conservation Loan - On May 1, 1994, the School District obtained a loan, in the amount of \$536,684, for energy conservation improvements. The notes have an interest rate of 4.6 percent and were issued for a ten year period, with final maturity on May 1, 2004. The notes are being retired through the Bond Retirement debt service fund.

General Obligation Bonds - On January 15, 1997, the School District issued unvoted general obligation bonds, in the amount of \$1,078,699, for energy conservation improvements. The bonds were issued for a ten period, with final maturity on December 1, 2006. The bonds are being retired through the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$20,056,580 with an unvoted debt margin of \$222,851 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, were as follows:

For the Years Ending June 30,	Principal	Interest	Principal	Interest
2003	\$ 60,430	\$ 5,109	\$ 113,000	\$ 30,005
2004	63,208	2,332	119,000	23,547
2005	-	-	126,000	16,751
2006	-	-	133,000	9,532
2007	-	-	69,000	1,946
Total	<u>\$ 123,638</u>	<u>\$ 7,441</u>	<u>\$ 560,000</u>	<u>\$ 81,781</u>

**Note 17 - Set Aside Requirements**

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.

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	Textbooks	Capital Improvements
Balance June 30, 2001	\$ 168,044	\$ 331,356
Current Year Set Aside Requirement	315,394	315,394
Qualifying Expenditures	(388,682)	(116,674)
Reserve Balance June 30, 2002	<u>\$ 94,756</u>	<u>\$ 530,076</u>

The reserve balance for the set asides at the end of the fiscal year was \$624,832.

**Note 18 - Segment Information for Enterprise Funds**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Defiance City School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$ 501,434	\$ 99,098	\$ 600,532
Depreciation Expense	10,500	-	10,500
Operating (Loss)	(245,142)	(71,700)	(316,842)
Federal Donated Commodities	48,823	-	48,823
Operating Grants	205,530	-	205,530
Net Income (Loss)	7,123	(71,700)	(64,577)
Fixed Asset Additions	33,270	-	33,270
Fixed Asset Deletions	(2,439)	-	(2,439)
Net working capital	(69,788)	3,920	(65,868)
Total Assets	215,304	20,461	235,765
Total Equity	91,710	3,920	95,630
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	-	20,155	\$ 20,155

**Note 19 - 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 2002, the School District paid \$85,827 to NWOCA for various services. Financial information can be obtained from Cindy Siler, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.



**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

***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, Cindy Siler, who serves as Treasurer, 22900 State Route 34, Archbold, Ohio 43502.

***C. Four County Career Center***

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center 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. The degree of control exercised by the School District is limited to its representation on the Board. The Career Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Four County Career Center, Michele Zeedyk, 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, Archbold, Ohio 43502.

**Note 20 - Insurance 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.

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
*JUNE 30, 2002*

**Note 21 - State School Funding Decision**

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution was not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**Note 22 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

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

**Note 23 - Agency Funds**

	Combined Statement of Changes in Assets and Liabilities			
	Balance at July 1, 2001	Additions	Deductions	Balance at June 30, 2002
Cash	\$ 53,212	\$ 3,920	\$ -	\$ 57,132
Total assets	<u>\$ 53,212</u>	<u>\$ 3,920</u>	<u>\$ -</u>	<u>\$ 57,132</u>
Other liabilities	\$ 53,212	\$ 3,920	\$ -	\$ 57,132
Total liabilities	<u>\$ 53,212</u>	<u>\$ 3,920</u>	<u>\$ -</u>	<u>\$ 57,132</u>

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For The Year Ended June 30, 2002*  
(Non-GAAP Basis)

Federal Grantor/Pass Through Grantor Program Title	Project Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
National School Lunch Program	043869-LL-PU	10.555	\$ 183,114	\$ -	\$ 183,114	\$ -
School Breakfast Program	043869-05-PU	10.553	12,556	-	12,556	-
Food Distribution Program	N/A	10.550	-	59,449	-	47,958
Total Department of Agriculture and Nutrition Cluster			195,670	59,449	195,670	47,958
<b>U.S. DEPARTMENT OF LABOR</b>						
<i>Passed Through Ohio Department of Education</i>						
School to Work Grant	043869-G2-S2	17.249	(950)	-	-	-
Total Department of Labor			(950)	-	-	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Plan (Medicaid: Title XIX)	N/A	93.778	39,617	-	39,617	-
Total Department of Health and Human Services			39,617	-	39,617	-
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States (Title VI-B)	043869-6B-SF	84.027	257,548	-	241,254	-
Total Special Education Cluster			257,548	-	241,254	-
Grants to Local Educational Agencies						
(ESEA Title I)	043869-CI-SI	84.010	306,771	-	324,389	-
Eisenhower Grant	043869-MS-SI	84.281	13,757	-	13,750	-
Innovative Educational Program Strategies (Title VI)	043869-C2-S1	84.298	14,499	-	19,817	-
Class Size Reduction Program	043869-CR-S1	84.340	98,790	-	93,508	-
Drug Free Grant	043869-DR-S1	84.186	10,246	-	10,305	-
Total Department of Education			701,611	-	703,023	-
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 935,948</b>	<b>\$ 59,449</b>	<b>\$ 938,310</b>	<b>\$ 47,958</b>

**DEFIANCE CITY SCHOOL DISTRICT**  
**DEFIANCE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*June 30, 2002*

**Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash (Non-GAAP) basis of accounting.

**Note 2 - Food Distribution**

Non-monetary assistance is reported in the schedule at the 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, 2002, the District had \$20,133 of food commodities in inventory.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Defiance City School District  
Defiance, Ohio

We have audited the general purpose financial statements of the Defiance City School District, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 17, 2002. 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.

As described in note 3 to the basic financial statements, the District has decided to increase the threshold amount for capitalizing fixed assets and has decided to no longer capitalize textbooks and library books. This results in a change in accounting principle and content of the basic financial statements.

Compliance

As part of obtaining reasonable assurance about whether Defiance City School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that we have reported to management of the Defiance City School District in a separate letter dated December 17, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Defiance City School District in a separate letter dated December 17, 2002.

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

A handwritten signature in black ink that reads "Steyer & Co." The word "Steyer" is written in a cursive style, followed by an ampersand and the word "Co." in a simpler, more legible script.

STEYER & CO.

Defiance, Ohio  
December 17, 2002

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

Board of Education  
Defiance City School District  
Defiance, Ohio

Compliance

We have audited the compliance of the Defiance City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal 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.

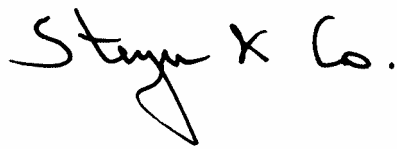
In our opinion, Defiance City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink that reads "Steyer & Co." with a stylized flourish at the end of the word "Co."

STEYER & CO.

Defiance, Ohio  
December 17, 2002



**DEFIANCE CITY SCHOOL DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002**

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_yes      X   no  
 Reportable condition(s) identified  
 not considered to be material weaknesses? \_\_\_\_\_yes      X   none reported

Noncompliance material to financial statements  
 noted? \_\_\_\_\_yes      X   no

***Federal Awards***

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_yes      X   no  
 Reportable condition(s) identified  
 not considered to be material weaknesses? \_\_\_\_\_yes      X   none reported

Type of auditor's report issued on compliance  
 for major programs: Unqualified

Any audit findings disclosed that are required  
 to be reported in accordance with  
 Circular A-133, Section.510(a)? \_\_\_\_\_yes      X   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster
84.281	Title II, Part B- Eisenhower Professional Development Grants

Dollar threshold used to distinguish  
 between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?   X   yes    \_\_\_\_\_no

**DEFIANCE CITY SCHOOL DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*YEAR ENDED JUNE 30, 2002*

**Section II - Financial Statement Findings**

The results of our tests disclosed no items that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

**Section III - Federal Award Findings and Questioned Costs**

The results of our tests disclosed no findings or questioned costs that are required to be reported under Circular A-133, Section.510(a).

**DEFIANCE CITY SCHOOL DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Action Taken</u>
2001-1	EIS Inventory System	Yes	Condition corrected.

**DEFIANCE CITY SCHOOL DISTRICT  
DEFIANCE COUNTY**

**CORRECTIVE ACTION PLAN**  
*YEAR ENDED JUNE 30, 2002*

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
<u>N/A</u>	<u>No items to report.</u>	<u>N/A</u>	<u>N/A</u>

**DEFIANCE CITY SCHOOL DISTRICT  
DEFIANCE COUNTY**

**GENERAL COMMENTS**

The audit report, including citations and recommendations, was reviewed with and acknowledged by the following official on December 30, 2002.

Greg A. Buddelmeyer

Treasurer

He was informed that officials had five working days from the date of the post audit conference to respond to, or contest, in writing, the report contents. No written response was received. The Superintendent, Dr. H. Richard Motuelle and the school board were invited to the conference, but were not in attendance.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
FEBRUARY 11, 2003**