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STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Paulding Exempted Village School District
Paulding County
405 North Water Street
Paulding, Ohio 45879-1299

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Paulding Exempted Village School District (the 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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 federal awards receipts and expenditures is presented for purpose 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. 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, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 19, 2002

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$951,412	\$204,537	\$154,281	\$12,317,531
Receivables:				
Taxes	3,863,546	70,483	564,657	136,652
Accounts Receivable	2,534			
Due From Other Governments		126,347		14,501,635
Due From Other Funds	34,137			
Prepaid Items	2,236			
Notes Receivable				
Inventory				
Fixed Assets (net where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	<u>\$4,853,865</u>	<u>\$401,367</u>	<u>\$718,938</u>	<u>\$26,955,818</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$26,053	\$121,451			\$13,775,265
				4,635,338
1,620				4,154
				14,627,982
				34,137
				2,236
	19,166			19,166
34,023				34,023
114,418		\$14,777,969		14,892,387
			\$154,281	154,281
			7,998,392	7,998,392
\$176,114	\$140,617	\$14,777,969	\$8,152,673	\$56,177,361

(Continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$1,457	\$14,311		
Accrued Wages and Benefits	1,012,220	35,659		
Compensated Absences Payable	44,621			
Due to Other Governments	204,950	6,931		
Due to Other Funds		34,137		
Deferred Revenue	3,147,753	116,842	\$539,478	\$14,544,792
Due to Students				
General Obligation Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	4,411,001	207,880	539,478	14,544,792
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings				
Fund Balances:				
Reserved for Encumbrances	31,326	18,070		551,044
Reserved for Prepaid Items	2,236			
Reserved for Property Taxes				
Advances Available	251,791		25,179	
Reserved for Loans Receivable				
Unreserved, Undesignated	157,511	175,417	154,281	11,859,982
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	442,864	193,487	179,460	12,411,026
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities, Fund Equity and Other Credits	\$4,853,865	\$401,367	\$718,938	\$26,955,818

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$15,768
\$33,697				1,081,576
14,331			\$986,947	1,045,899
17,454			106,726	336,061
				34,137
				18,348,865
	\$64,626			64,626
			7,059,000	7,059,000
65,482	64,626		8,152,673	27,985,932
		\$14,777,969		14,777,969
310,570				310,570
(199,938)				(199,938)
				600,440
				2,236
				276,970
	19,166			19,166
	56,825			12,404,016
110,632	75,991	14,777,969		28,191,429
\$176,114	\$140,617	\$14,777,969	\$8,152,673	\$56,177,361

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Taxes	\$4,524,755	\$64,535
Intergovernmental	7,862,348	673,343
Interest	117,055	
Tuition and Fees	22,753	
Extracurricular Activities		149,709
Food Service		19,602
Miscellaneous	30,663	
Total Revenues	12,557,574	907,189
Expenditures:		
Instruction:		
Regular	5,888,761	204,313
Special	1,058,199	162,548
Vocational	220,939	
Other	738,102	10,566
Support services:		
Pupils	537,843	105,732
Instructional Staff	473,779	183,022
Board of Education	154,238	
Administration	1,138,623	62,451
Fiscal	371,579	2,096
Business	71,973	8,496
Operation and Maintenance of Plant	870,624	
Pupil Transportation	752,480	
Central Services	1,504	6,635
Non-Instructional Services	1,180	6
Extracurricular activities	320,867	111,300
Capital Outlay		
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	12,600,691	857,165
Excess of Revenues Over (Under) Expenditures	(43,117)	50,024
Other Financing Sources and Uses		
Operating Transfers In	2,500	53
Other Financing Sources	1,846	
Operating Transfers Out	(194,054)	
Total Other Financing Sources (Uses)	(189,708)	53
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(232,825)	50,077
Fund Balance at Beginning of Year	675,689	143,410
Fund Balance at End of Year	\$442,864	\$193,487

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$523,588	\$127,797		\$5,240,675
51,795	4,929,194		13,516,680
	202,190	\$1,791	321,036
			22,753
			149,709
			19,602
	11,000	13,150	54,813
<u>575,383</u>	<u>5,270,181</u>	<u>14,941</u>	<u>19,325,268</u>
			6,093,074
			1,220,747
			220,939
			748,668
	51,774		643,575
			708,575
			154,238
			1,201,074
16,808	4,310		394,793
			80,469
			870,624
			752,480
			8,139
		100	1,286
			432,167
	1,774,962		1,774,962
7,279,000			7,279,000
532,246			532,246
<u>7,828,054</u>	<u>1,831,046</u>	<u>100</u>	<u>23,117,056</u>
<u>(7,252,671)</u>	<u>3,439,135</u>	<u>14,841</u>	<u>(3,791,788)</u>
	150,000		152,553
4,493			6,339
			(194,054)
<u>4,493</u>	<u>150,000</u>		<u>(35,162)</u>
(7,248,178)	3,589,135	14,841	(3,826,950)
7,427,638	8,821,891	61,150	17,129,778
<u>\$179,460</u>	<u>\$12,411,026</u>	<u>\$75,991</u>	<u>\$13,302,828</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund and Similar Fiduciary Types
For the Fiscal Year Ended June 30, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$4,593,050	\$4,593,050	
Intergovernmental	7,864,265	7,864,265	
Interest	117,055	117,055	
Tuition and Fees	7,814	7,814	
Extracurricular Activities			
Classroom Materials and Fees	14,935	14,935	
Food Service			
Miscellaneous	35,146	35,146	
Total Revenues	12,632,265	12,632,265	
Expenditures:			
Instruction:			
Regular	5,863,841	5,863,841	
Special	1,057,504	1,057,504	
Vocational	222,445	222,445	
Other	755,817	755,817	
Support services:			
Pupils	539,328	539,328	
Instructional Staff	474,710	474,710	
Board of Education	130,773	130,773	
Administration	1,136,134	1,136,134	
Fiscal	374,064	374,064	
Business	70,648	70,648	
Operation and Maintenance of Plant	875,156	875,156	
Pupil Transportation	748,064	748,064	
Central Services	1,500	1,500	
Non-Instructional Services	1,179	1,179	
Extracurricular Activities	322,144	322,144	
Capital Outlay			
Debt Service			
Total Expenditures	12,573,307	12,573,307	
Excess of Revenues Over (Under) Expenditures	58,958	58,958	
Other Financing Sources and Uses			
Advances In	20,288	20,288	
Operating Transfers In	2,500	2,500	
Other Financing Sources	1,846	1,846	
Operating Transfers Out	(194,054)	(194,054)	
Advances Out	(34,137)	(34,137)	
Total Other Financing Sources (Uses)	(203,557)	(203,557)	
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(144,599)	(144,599)	
Fund Balances at Beginning of Year	951,380	951,380	
Prior Year Encumbrances Appropriated	111,846	111,846	
Fund Balance at end of Year	\$918,627	\$918,627	

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$62,017	\$62,017		\$498,409	\$498,409	
599,905	599,905		51,795	51,795	
149,709	149,709				
19,602	19,602				
<u>831,233</u>	<u>831,233</u>		<u>550,204</u>	<u>550,204</u>	
218,502	218,502				
162,616	162,616				
9,961	9,961				
108,322	108,322				
179,737	179,737				
63,946	63,946		16,808	16,808	
2,096	2,096				
8,496	8,496				
6,639	6,639				
113,715	113,715				
			<u>7,811,246</u>	<u>7,811,246</u>	
<u>874,030</u>	<u>874,030</u>		<u>7,828,054</u>	<u>7,828,054</u>	
<u>(42,797)</u>	<u>(42,797)</u>		<u>(7,277,850)</u>	<u>(7,277,850)</u>	
34,137	34,137				
53	53		4,493	4,493	
(20,288)	(20,288)				
<u>13,902</u>	<u>13,902</u>		<u>4,493</u>	<u>4,493</u>	
(28,895)	(28,895)		(7,273,357)	(7,273,357)	
198,331	198,331		7,427,638	7,427,638	
2,718	2,718				
<u>\$172,154</u>	<u>\$172,154</u>		<u>\$154,281</u>	<u>\$154,281</u>	

(Continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund and Similar Fiduciary Types
For the Fiscal Year Ended June 30, 2002
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$127,797	\$127,797	
Intergovernmental	4,835,700	4,835,700	
Interest	202,189	202,189	
Tuition and Fees			
Extracurricular Activities			
Classroom Materials and Fees			
Food Service			
Miscellaneous	11,000	11,000	
Total Revenues	5,176,686	5,176,686	
Expenditures:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	51,773	51,773	
Board of Education			
Administration			
Fiscal	4,310	4,310	
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central Services			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	2,326,006	2,326,006	
Debt Service			
Total Expenditures	2,382,089	2,382,089	
Excess of Revenues Over (Under) Expenditures	2,794,597	2,794,597	
Other Financing Sources and Uses			
Advances In			
Operating Transfers In	150,000	150,000	
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Total Other Financing Sources (Uses)	150,000	150,000	
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,944,597	2,944,597	
Fund Balances at Beginning of Year	7,443,258	7,443,258	
Prior Year Encumbrances Appropriated	1,378,632	1,378,632	
Fund Balance at end of Year	\$11,766,487	\$11,766,487	

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust Funds			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$5,281,273	\$5,281,273	
			13,351,665	13,351,665	
\$1,791	\$1,791		321,035	321,035	
			7,814	7,814	
			149,709	149,709	
			14,935	14,935	
			19,602	19,602	
13,150	13,150		59,296	59,296	
14,941	14,941		19,205,329	19,205,329	
			6,082,343	6,082,343	
			1,220,120	1,220,120	
			222,445	222,445	
			765,778	765,778	
			647,650	647,650	
			706,220	706,220	
			130,773	130,773	
			1,200,080	1,200,080	
			397,278	397,278	
			79,144	79,144	
			875,156	875,156	
			748,064	748,064	
			8,139	8,139	
100	100		1,279	1,279	
			435,859	435,859	
			2,326,006	2,326,006	
			7,811,246	7,811,246	
100	100		23,657,580	23,657,580	
14,841	14,841		(4,452,251)	(4,452,251)	
			54,425	54,425	
			152,553	152,553	
2,465	2,465		8,804	8,804	
			(194,054)	(194,054)	
			(54,425)	(54,425)	
2,465	2,465		(32,697)	(32,697)	
17,306	17,306		(4,484,948)	(4,484,948)	
39,519	39,519		16,060,126	16,060,126	
			1,493,196	1,493,196	
\$56,825	\$56,825		\$13,068,374	\$13,068,374	

**PAULDING EXEMPTED VILLAGE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenses
and Changes in Fund Equity
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2002**

	Enterprise
Operating Revenues:	
Food Service	\$378,063
Materials and Fees	56,736
Total Operating Revenues	434,799
Operating Expenses	
Salaries	205,317
Fringe Benefits	102,980
Purchased Services	25,087
Cost of Sales	323,485
Depreciation	9,491
Other Expenses	850
Total Operating Expenses	667,210
Operating Loss	(232,411)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	53,094
Intergovernmental	138,400
Other Non-Operating Revenues	643
Total Non-Operating Revenues and Expenses	192,137
Net Loss Before Transfers	(40,274)
Transfers In	41,554
Net Income	1,280
Retained Earnings at Beginning of Year	(201,218)
Retained Earnings at End of Year	(199,938)
Contributed Capital at Beginning and End of Year	310,570
Fund Equity at End of Year	\$110,632

The notes to the general-purpose financial statements are an integral part of this statement.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2002**

	Enterprise
Cash Flows from Operating Activities:	
Operating Loss	(\$232,411)
Adjustment to Reconcile Operating Loss	
Net Cash Used in Operating Activities:	
Donated Commodities	53,094
Depreciation	9,491
(Increase) Decrease in Assets:	
Materials and Supplies	688
Accounts Receivable	(947)
Increase (Decrease) in Liabilities:	
Accrued Salaries and Benefits Payable	1,563
Compensated Absences	(727)
Due to Other Governments	(1,758)
	61,404
Total Adjustments	
	(171,007)
Cash Flows from Noncapital Financing Activities:	
Operating Transfers In From Other Funds	41,554
Intergovernmental	138,400
Other	643
	180,597
Cash Used in Capital and Related Financing Activities:	
Acquisition of Capital Assets	(3,564)
	6,026
Net Increase (Decrease) in Cash and Cash Equivalents	
Cash and Cash Equivalents at Beginning of Year	20,027
	\$26,053

The notes to the general-purpose financial statements are an integral part of this statement.

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Paulding Exempted Village School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 88 non-certified and 147 certified full time teaching personnel who provide services to 1,888 students and other community members.

The 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 Paulding Exempted Village School District, this includes general operations, food service, preschool 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 following organizations are not part of the District entity and are excluded from the accompanying financial statements:

The School District is associated with organizations which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, Paulding County School Council, Paulding County School Council Employee Insurance Benefits Program, and the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Paulding Exempted Village 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

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 Fund - The debt service fund is used to account for the accumulation of resources for and the payment of general long-term obligation 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 Types

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 are the School District's proprietary fund types:

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.

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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. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The School District's 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 this fund 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, expendable trust and agency funds. The full accrual basis of accounting is followed by the enterprise fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

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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 to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period 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/cost center level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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.

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

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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 - By 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 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 in the final amended certificate issued during fiscal year 2002. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

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 at the fund/cost center, which is the legal level of budgetary control. 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 appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals and any level of control. Any revisions that alter the total of any cost center appropriations within any fund must be approved by the Board of Education. 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; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds.

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 and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental 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 re-appropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District Treasurer is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through

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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.

During fiscal year 2002, investments included STAR Ohio and federal agency securities.

Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. Non-participating investment contracts such as repurchase agreements are reported at cost. The School District invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's office which allows government 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 are valued at 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 during fiscal year 2002 amounted to \$321,036 which includes \$117,055 assigned to the general fund and \$203,981 assigned to 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.

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

F. 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 the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. 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 proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements 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 \$500. Public domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The School District does not possess any infrastructure.

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Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund type is computed using the straight-line method over an estimated useful life of 5 to 20 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. 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 Reimbursement
Medical Assistance Program (CAFS)

Special Revenue Fund

LSTA Grant

Non-Reimbursable Grants

Special Revenue Funds

Eisenhower Grant/Title II
Title I
Title IV
Title VI
Title VI-B
Title VI-R
Preschool
Virtual Middle School Grant
Educational Management Information System
Professional Development
Disadvantaged Pupil Program
School Net Professional Development
Ohio Reads
Safe Schools Grant
One Net Connectivity
Literacy Grant
E-Rate
Drug Free Grant

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Capital Projects Funds

School Net Plus
One Net
Ohio School Facilities Grant – State Share

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities
Special Milk Program

Grants and entitlements amounted to approximately 70% of the Districts operating revenues during fiscal year 2002 for all governmental funds.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. As of June 30, 2002, the balance of interfund assets/liabilities was \$34,137

J. 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 termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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 proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. 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, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial

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resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources.

L. 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 non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. 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 are established for property taxes, prepaids, loans, and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during this fiscal year.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

O. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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.

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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 – ACCOUNTABILITY

Deficit Retained Earnings

Retained earnings at June 30, 2002 included the enterprise fund deficit balance of \$199,938. Which is the result of accumulated operating deficits.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/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 Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

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 as note disclosures in the proprietary fund types (GAAP basis).
4. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

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Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental and Similar Fiduciary Fund Types					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$232,825)	\$50,077	(\$7,248,178)	\$3,589,135	\$14,841
Revenue Adjustments	94,979	(41,819)	(25,179)	(93,495)	2,465
Expenditure Adjustments	26,030	(4,771)			
Reserve for Encumbrances	(32,783)	(32,382)		(551,043)	
Budgetary Basis	(\$144,599)	(\$28,895)	(\$7,273,357)	\$2,944,597	\$17,306

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 pass book 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.

State regulations, permit interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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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) of this section 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 and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 2002, the School District's investments were limited to STAR Ohio, and Federal Home Loan Mortgage Corporation Securities.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$508,107 and the bank balance was \$856,135. \$124,583 of the bank balance was covered by federal depository insurance and \$731,552 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

Investments - Investments are required to be categorized into the following:

Category 1 includes investments that are insured or registered or for which the securities are held by Paulding Exempted Village School District.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Paulding Exempted Village School District's name.

Category 3 includes uninsured and unregistered investment for which the securities are held by the broker or dealer or by its trust department but not in the Paulding Exempted Village School District's name.

At year end, the District had an investment in STAR Ohio with a reported amount and fair value of \$9,355,553. STAR Ohio is an investment pool operated by the Ohio Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. The District also had

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investments in federal agency securities, which are Category 3 investments, with a reported amount and fair value of \$3,911,605 as of June 30, 2002.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$13,775,265	
Investments:		
STAR Ohio	(9,355,553)	\$9,355,553
U.S. Government Securities	(3,911,605)	3,911,605
GASB Statement 3	\$508,107	\$13,267,158

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied October 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied October 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2002 taxes are based as follows:

	2001 Second-Half Collections		2002 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$104,785,630	76.20%	\$114,084,860	78.72%
Public Utility Personal	14,128,280	10.28%	12,565,370	8.67%
Tangible Personal Property	18,598,438	13.52%	18,281,062	12.61%
Total	\$137,512,348	100.00%	\$144,931,292	100.00%
Tax rate per \$1,000 of assessed valuation	\$34.00		\$30.80	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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. Tangible personal property taxes paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by October 20.

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(Continued)**

The School District receives property taxes from Paulding & Putnam 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 County 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 represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002. 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 year operations. 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 and recognized as revenue at June 30, 2002 was \$251,791 in the general fund and \$25,179 in the debt service fund.

NOTE 7 - INCOME TAX

The School District levies a voted tax of 1.0 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. In the fiscal year ended June 30, 2002, the district recorded income tax revenue of \$1,543,506 in the general fund, of which \$584,701 is recorded as a receivable at June 30, 2002.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, accounts and intergovernmental grants. 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.

NOTE 9 - LOANS RECEIVABLE

The Bauer Loan Fund was established in 1958 through a contribution from an estate. Qualified students may borrow up to \$4,000 to pay for the costs of higher education. Repayments begin 24 months after completion of a college program. After 6 years the principal begins accruing interest at a rate to be set by the district.

The Melrose Area Book Scholarship was established in 1992 through a contribution from an estate. Qualified students may borrow up to \$4,000 to pay for the costs of higher education. Repayments begin 24 months after completion of a college program. After 6 years the principal begins accruing interest at a rate to be set by the district.

At the close of fiscal year 2002, there were 8 students with a total principal balance of \$15,116 for the Bauer Loan Fund and 2 students with a total principal balance of \$4,050 for the Melrose Area Book Scholarship.

NOTE 10 - FIXED ASSETS

A summary of the changes in General Fixed Assets Account Group is as follows:

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

	Balance at 6/30/01	Additions	Deductions	Balance at 6/30/02
Land and Land Improvements	\$742,007	\$92,587	(\$275,800)	\$558,794
Buildings	9,028,387	309,383	(26,360)	9,311,410
Furniture, fixtures and Equipment	2,914,346	296,725	(200,906)	3,010,165
Construction in progress	546,658	1,507,975	(157,033)	1,897,600
Total	\$13,231,398	\$2,206,670	(\$660,099)	\$14,777,969

A summary of changes in the Enterprise Fund fixed assets is as follows:

	Balance at 6/30/02
Furniture, fixtures and equipment	\$331,975
Accumulated depreciation	(217,557)
Total	\$114,418

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. For fiscal year 2002, the School District contracted with Nationwide Insurance for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Nationwide Insurance covers the boiler and machinery with a \$1,000 deductible and a \$19,090,700 limit. The School District is protected by a commercial umbrella policy with an aggregate coverage of \$15,000,000. Liability under this policy is in the amount of \$5,000,000 with \$2,000,000 for each occurrence and a \$5,000 deductible.

Vehicles are covered by Nationwide Insurance with no deductible for comprehensive and collision. Automobile liability has a \$5,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2002, the School District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Anthem Comp. Services provided administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

As of June 30, 2002 the School District has contracted through the Paulding County Schools Council with Medical Mutual of Ohio as third party provider to provide employee medical/surgical benefits and also dental benefits. Rates are set through an annual calculation process. The School District and the employees share the cost of the monthly premium with the Board. For fiscal year 2002, the School District's and classified employees' premiums were \$766 and \$57 for family coverage and \$306 and \$57 for single coverage per employee per month, respectively. For fiscal year 2001, the School District's and certified employees' premiums were \$744 and \$55 for family coverage and \$298 and \$55 for single coverage per employee per month, respectively.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. 5.46% was the portion 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 contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$96,143, \$79,709, and \$97,782, respectively; 40.2 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$57,493 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides retirement and disability benefits, health care benefits and death benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the STRS Ohio Board of Trustees. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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. 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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$606,480, \$576,555, and \$358,482, respectively; 84.07 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$96,613 represents the unpaid contribution for fiscal year 2002, and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, one of the five members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POST-EMPLOYMENT BENEFITS

The 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 District, this amount equaled \$287,280.

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 District, the amount to fund health care benefits, including the surcharge, was \$150,377 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical and Administrative employees with one or more years of service are entitled to vacation ranging from 5 to 30 days. Employees with less than one year of service earn a pro rata vacation rate per month worked. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, other than administrative personnel upon retirement is limited to 40 days, and 5% of any accumulated days above forty accumulated days of sick leave. The amount paid to administrative personnel upon retirement is limited to 50 days, and 19% of any accumulated days above 50 accumulated days of sick leave. If accumulated sick leave is less than the days earned, then only the amount earned will be paid.

At June 30, 2002 the current amount of unpaid compensated absences, in all funds except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$44,621 and \$986,947 respectively. The liability for compensated absences in the proprietary funds at June 30, 2002 was \$14,331.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.

NOTE 15 - LONG-TERM OBLIGATIONS

During the year ended June 30, 2002, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Compensated absences payable	\$933,405	\$53,542		\$986,947
Bond anticipation notes	7,169,000		\$7,169,000	
General obligation bonds	7,169,000		110,000	7,059,000
Due to other governments	92,880	106,726	92,880	106,726
Total	<u>\$15,364,285</u>	<u>\$160,268</u>	<u>\$7,371,880</u>	<u>\$8,152,673</u>

On May 31, 2001 the District issued \$7,169,000 in school improvement bonds, the bond proceeds were used to retire bond anticipation notes that matured August 14, 2001. The school improvement bonds mature on December 1, 2020 and carry an interest rate of 4.9%.

Total expenditures for interest for the above debt for the period ended June 30, 2002 was \$532,246.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total General Obligation Bonds
2003	\$235,000	\$298,819	\$533,819
2004	250,000	290,809	540,809
2005	300,000	280,559	580,559
2006	325,000	267,856	592,856
2007	320,000	334,733	654,733
2008-2012	1,518,897	1,428,764	2,947,661
2013-2017	2,065,000	764,172	2,829,172
2018-2021	2,045,103	210,387	2,255,490
Total	<u>\$7,059,000</u>	<u>\$3,876,099</u>	<u>\$10,935,099</u>

NOTE 16 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three Enterprise Funds which provide lunchroom/cafeteria, uniform school supply, and Adult Continuing Education. Segment information for the year ended June 30, 2002 was as follows:

	Food Service	Uniform School Supplies	Adult Continuing Education	Total Enterprise Funds
Operating Revenues	\$378,063	\$56,736		\$434,799
Depreciation Expense	9,491			9,491
Operating Income (Loss)	(239,650)	7,239		(232,411)
Operating Grants	138,400			138,400
Donated Commodities	53,094			53,094
Operating Transfers In	41,554			41,554
Net Income (Loss)	(5,959)	7,239		1,280
Net working capital	(30,440)	26,247	\$407	(3,786)
Total Assets	149,460	26,247	407	176,114
Total Equity	83,978	26,247	407	110,632

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. The Northwest Ohio Area Computer Services Cooperative

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven (47) educational entities, primarily school districts located in the Ohio counties of Allen, Auglaize, Hancock, Mercer, Paulding, Putnam and Van Wert. The laws governing the Ohio Education Computer Network require that a board of education serve as fiscal agent for data acquisition sites receiving state funds, therefore, not all responsibilities of the fiscal agent can be undertaken by the council. Specifically, Revised Code Section 3301-075 requires that the NOACSC conform to Revised Code Section 3313.92 in order for the NOACSC to receive Ohio Education Computer Network funds from the State Department of education. Agreements entered into pursuant to Revised Code Section 3313.92 must be approved by the State superintendent of public instruction, who has interpreted this revised code section to require a board of education to serve as fiscal agent for a data acquisition site

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

receiving funds from the Ohio Education Computer Network, as opposed to have a council of governments serve as fiscal agent for the data acquisition site.

The general membership of the NOACSC consists of a superintendent or designated representative from each member school and a representative from the fiscal agent. NOACSC is governed by a Cooperative Governing Board chosen from the general membership. The Governing Board consists of two representatives from each county and one representative from the fiscal agent. The two representatives from each county are elected by a majority vote of all county member schools.

The jointly governed 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 districts. The duties and obligations of the organization and members participating are set forth in a written agreement covering the program.

Each of the participating educational entities' support NOACSC based upon a per pupil charge dependent upon the software package(s) utilized. The degree of control exercised by any participating entity is limited to representation on the Governing Board. To obtain financial information for NOACSC write to the fiscal agent, c/o Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

B. Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' and educational service centers' elected boards from Putnam, Paulding, Mercer and Van Wert counties, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Career Center Treasurer, at 818 North Franklin Street, Van Wert, Ohio 45891

C. Paulding County Schools Council

The Paulding County Schools Council is a jointly governed organization among the Boards of Education of Antwerp Local School District, Paulding County Board of Education, Paulding Exempted Village School District and Wayne Trace Local School District. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. To obtain financial information write to the Paulding County School Council Chairman, at P.O. Box 176, Paulding, OH 45879-0176.

NOTE 18 - GROUP PURCHASING POOLS

A. Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan (GRP)

The School District participates in this plan, an insurance purchasing pool. The GRP's business and affairs are governed as described in Note 16. Each year, the participating school districts pay an enrollment fee to the plan to cover the costs of administering the plan. The administrator of the plan is Anthem Comp. Services, 31200 Pine Tree Road, Pepper Pike, Ohio 44124-5900.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

B. The Paulding County School Council's Employee Insurance Benefits Program

The Paulding County School Council's Employee Insurance Benefits Program includes a health insurance plan. The plan is a risk-sharing pool among the Boards of Education of Antwerp Local School District, Paulding County Board of Education, Paulding Exempted Village School District and Wayne Trace Local School District. The purpose of the plan is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of a representative from each of the member school districts. The degree of control exercised by any participating member is limited to its representation on the council.

Financial information can be obtained from Paul Clark, who serves as chairman, at P.O. Box 176, Paulding, OH 45879-0176.

NOTE 19 - STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 20 - TRANSFERS

Transfers for the fiscal year ended June 30, 2002 consisted of the following:

	Transfers In	Transfers Out	
Special Revenue Fund	\$53		
Capital Projects Fund	150,000		
Enterprise Fund	41,554		
Agency Fund		\$53	
General Fund	2,500	194,054	
Total transfers	\$194,107	\$194,107	

NOTE 21 – STATUTORY RESERVES

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

	Textbook Reserve	Capital Maintenance Reserve	Total
Balance, June 30, 2001	(\$33,020)		(\$33,020)
Current Year Set-Aside Requirement	221,834	\$221,834	443,668
Current Year Offsets		(221,834)	(221,834)
Qualifying Disbursements	(295,021)		(295,021)
Total Carried Forward to FY 2003	<u>(\$106,207)</u>		<u>(\$106,207)</u>

The District had expenditure that reduced the Textbook Reserve to less than zero. This excess can be used to offset future set aside requirements.

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 – OUTSTANDING CONTRACTUAL COMMITMENTS

As of June 30, 2002 the District had outstanding commitments:

<u>Vendor/Contract</u>	<u>Amount</u>
A. Hattersley & Sons, Inc.	\$4,099,000
Armstrong Mechanical Services, Inc.	1,147,000
Brint Electric, Inc.	652,920
Brumbaugh-Herrick, Inc.	22,000
Bushong Restaurant Equipment Co.	125,470
CTL Engineering	90,307
Fanning/Howey Associates OSFC	362,029
Fanning/Howey Associates Non OSFC	24,273
Fidelity Products Co.	135,177
L.A. Electric, Inc.	1,621,868
Lima Contracting Company	4,999,900

(Continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

Mel Lanzer Company	8,506,475
Midwest Environmental Control	157,000
Modular Design Tech., Inc.	22,344
Ohio Plumbing & Electric	313,000
Roth Bros., Inc.	420,865
Shambaugh & Son, Inc.	326,365
Vulcan Enterprises, Inc.	107,019
Wasserstrom Company	460,843
	<u>\$23,593,855</u>

NOTE 24 – OHIO SCHOOL FACILITIES COMMISSION

In fiscal year 2000, the District was approved for a grant from the Ohio School Facilities Commission for a \$27,364,339 building construction and renovation project. The project will be financed by a \$20,195,339 grant from the Ohio School Facilities Commission and through issuance of bonds in the amount of \$7,169,000. The bond issue will be repaid from the proceeds of a 3.90 mill tax levy approved by the voters of the District on November 7, 2000. As of June 30, 2002 the District has recognized a receivable of \$14,501,635 for the amounts still due for the state portion of the project.

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Donation Program		10.550
School Breakfast Program	05-PU-02	10.553
National School Lunch Program	LL-P1-01	10.555
Special Milk Program	02-PU-02	10.556
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Title I - Grants to Local Educational Agencies		
	C1-S1-01	84.010
	C1-S1-02	84.010
Total Title I		
<u>Special Education Cluster:</u>		
Special Education-Grants to States	6B-SF-01	84.027
	6B-SF-02	84.027
	6B-EC-01	84.027
Total Special Education-Grants to States		
Special Education-Preschool Grants	PG-S1-01	84.173
	PG-S1-02	84.173
Total Special Education-Preschool Grants		
Total Special Education Cluster		
Safe and Drug-Free Schools and Communities Grant	DR-S1-01	84.186
	DR-S1-02	84.186
Total Safe and Drug-Free Schools		
Eisenhower Professional Development State Grants	MS-S1-01	84.281
	MS-S1-01	84.281
Total Eisenhower Professional Development State Grants		

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$52,168		\$53,094
\$7,903		\$7,903	
123,680		123,680	
305		305	
<u>131,888</u>	<u>52,168</u>	<u>131,888</u>	<u>53,094</u>
		6,646	
138,436		136,795	
<u>138,436</u>		<u>143,441</u>	
16,266		68,161	
107,483		141,512	
4,032		4,032	
<u>127,781</u>		<u>213,705</u>	
3,129		10,521	
28,369		20,282	
<u>31,498</u>		<u>30,803</u>	
<u>159,279</u>		<u>244,508</u>	
3,166		5,536	
1,610		705	
<u>4,776</u>		<u>6,241</u>	
728		2,708	
8,480		5,488	
<u>9,208</u>		<u>8,196</u>	

(Continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2002
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
Innovative Educational Program Strategies	C2-S1-01	84.298
Total Innovative Education Program	C2-S1-02	84.298
Technology Literacy Challenge Fund Grant	TF-VM-02	84.318
Class Size Reduction	CR-S1-01	84.340
Total Class Size Reduction	CR-S1-02	84.340
Total Department of Education		
INSTITUTE OF MUSEUM AND LIBRARY SERVICES		
<i>Passed Through the State Library of Ohio:</i>		
State Library Program	I-7-01	45.310
U.S. DEPARTMENT OF HUMAN SERVICES		
<i>Passed Through Ohio Department of MRDD:</i>		
Medical Assistance Program (CAFS)		93.778
Totals		

The accompanying notes to this schedule are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
4,912		4,912	
6,540		5,049	
<u>11,452</u>		<u>9,961</u>	
65,000		65,000	
24,413		24,413	
37,696		34,386	
<u>62,109</u>		<u>58,799</u>	
<u>450,260</u>		<u>536,146</u>	
24,444		23,448	
37,828		37,828	
<u>\$644,420</u>	<u>\$52,168</u>	<u>\$729,310</u>	<u>\$53,094</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Schedule of Federal Awards Receipts and Expenditures
June 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the District contributes non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Paulding Exempted Village School District
Paulding County
405 North Water Street
Paulding, Ohio 45879-1299

To the Board of Education:

We have audited the financial statements of Paulding Exempted Village School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 19, 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts 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 noncompliance that we have reported to management of the District in a separate letter dated December 19, 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 financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 19, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 19, 2002



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

Paulding Exempted Village School District
Paulding County
405 North Water Street
Paulding, Ohio 45879-1299

To the Board of Education:

Compliance

We have audited the compliance of Paulding Exempted Village School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of District in a separate letter dated December 19, 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.

Paulding Exempted Village School District
Paulding County
Report of Independent Accountants on Compliance with Requirements
Applicable to Major Federal Programs and Internal Control Over
Compliance in Accordance with *OMB Circular A-133*
Page 2

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 19, 2002

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Schedule of Findings
OMB Circular A -133 §.505
June 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	<u>Special Education Cluster:</u> Special Education Grants to States CFDA #84.027 and Special Education Preschool Grants CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT

PAULDING 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
JANUARY 28, 2003**