



**PAULDING EXEMTPED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**PAULDING EXEMTPED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Paulding Exempted Village School District  
Paulding County  
405 North Water Street  
Paulding, Ohio 45879-1251

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio, as of June 30, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General and Ohio School Facilities Commission Maintenance funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in note 3, for the year ended June 30, 2007, the District ceased reporting using generally accepted accounting principles and reported on the cash basis.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

January 22, 2008

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

The discussion and analysis of Paulding Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights for fiscal year 2007 are as follows:

- Net Assets of the District decreased \$385,456 or 18 percent. This decrease was significantly less than in fiscal year 2006 when net assets decreased by \$1,441,778.
- For fiscal year 2007, the District reduced staffing levels by an assistant principal, 8.5 full-time teaching positions, a high school custodian, three aides, and one cook. Two twelve-month secretarial positions were reduced to ten-month positions. The elimination of staff provided a \$550,000 savings to the District's operations. Over the last three fiscal years, the District has reduced staffing levels and changed health care policies to generate a savings of \$1.2 million.
- The Board of Education approved a three-year negotiated agreement with both the certified and classified employees. The agreements did not provide a pay increase in fiscal year 2007 and the unions will return to negotiations regarding salaries during fiscal year 2007 for the remaining two years of the agreement.

**USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing receipts, disbursements, and the related assets and liabilities. Under the District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in a single column. For Paulding Exempted Village School District, the General Fund, Ohio School Facilities Commission Maintenance special revenue fund, Bond Retirement debt service fund, and Permanent Improvement capital projects fund are the most significant funds.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the District's activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, noninstructional services, extracurricular activities, capital outlay, and intergovernmental disbursements.

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

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Ohio School Facilities Commission Maintenance fund, Bond Retirement fund, and Permanent Improvement fund.

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

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



**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the District's net assets for fiscal year 2007 and fiscal year 2006.

**Table 1  
Net Assets**

	Governmental Activities	
	2007	2006
<u>Assets:</u>		
Cash and Cash Equivalents	\$1,774,190	\$2,159,646
 <u>Net Assets:</u>		
Restricted	1,288,160	2,012,394
Unrestricted	486,030	147,252
Total Net Assets	\$1,774,190	\$2,159,646

During fiscal year 2007, the Ohio School Facilities Commission completed their audit of the construction project and required the District to refund \$893,640 to the State. The remaining \$317,254 was transferred to the Permanent Improvement fund. The refund was the primary reason for the decrease in cash and cash equivalents and restricted net assets.

Unrestricted net assets increased due to the reduction in staffing levels.

Table 2 reflects the change in net assets for fiscal year 2007. Since the District did not prepare financial statements according to this basis of accounting in the prior fiscal year, a comparative analysis of government-wide data has not been presented. In future years, when prior fiscal year information is available, a comparative analysis will be presented.

**Table 2  
Change in Net Assets**

	Governmental Activities 2007
<u>Receipts:</u>	
Program Receipts	
Charges for Services	\$621,808
Operating Grants, Contributions, and Interest	2,274,731
Capital Grants and Contributions	22,636
Total Program Receipts	2,919,175
	(continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**Table 2  
Change in Net Assets  
(continued)**

	Governmental Activities 2007
<u>Receipts:</u> (continued)	
General Receipts	
Property Taxes Levied for General Purposes	\$3,272,738
Property Taxes Levied for Classroom Facilities Maintenance	65,222
Property Taxes Levied for Debt Service	549,584
Property Taxes Levied for Permanent Improvement	140,919
Income Taxes	1,679,389
Payment in Lieu of Taxes	15,258
Grants and Entitlements	8,196,056
Interest	144,214
Miscellaneous	95,195
Total General Receipts	14,158,575
Total Receipts	17,077,750
<u>Disbursements:</u>	
Instruction:	
Regular	7,682,789
Special	1,633,872
Vocational	303,976
Support Services:	
Pupils	649,206
Instructional Staff	694,143
Board of Education	82,814
Administration	1,152,296
Fiscal	495,168
Business	81,442
Operation and Maintenance of Plant	1,117,992
Pupil Transportation	892,990
Central	6,190
Noninstructional Services	613,833
Extracurricular Activities	441,459
Capital Outlay	142,736
Intergovernmental	897,307
	(continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**Table 2  
Change in Net Assets  
(continued)**

	Governmental Activities 2007
<u>Disbursements:</u> (continued)	
Debt Service:	
Principal Retirement	\$320,000
Interest and Fiscal Charges	254,993
Total Disbursements	17,463,206
Decrease in Net Assets	(385,456)
Net Assets at Beginning of Year	2,159,646
Net Assets at End of Year	\$1,774,190

Program receipts represent 17 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, sports-related activity fees, and food service sales.

Property taxes, income taxes, and grants and entitlements make up 98 percent of the District's general receipts.

The major program disbursements for governmental activities are for instruction, which account for 55 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, administration, operation and maintenance of plant, and transportation account for 26 percent of governmental disbursements.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007
Instruction:		
Regular	\$7,682,789	\$7,107,697
Special	1,633,872	166,917
Vocational	303,976	244,732
		(continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**Table 3  
Governmental Activities  
(continued)**

	Total Cost of Services 2007	Net Cost of Services 2007
Support Services:		
Pupils	\$649,206	\$591,200
Instructional Staff	694,143	694,143
Board of Education	82,814	82,814
Administration	1,152,296	1,152,296
Fiscal	495,168	495,168
Business	81,442	81,442
Operation and Maintenance of Plant	1,117,992	1,108,672
Pupil Transportation	892,990	858,019
Central	6,190	500
Noninstructional Services	613,833	(4,808)
Extracurricular Activities	441,459	350,203
Capital Outlay	142,736	142,736
Intergovernmental	897,307	897,307
Debt Service:		
Principal Retirement	320,000	320,000
Interest and Fiscal Charges	254,993	254,993
Total Disbursements	<u>\$17,463,206</u>	<u>\$14,544,031</u>

Instructional activities were supported by tax receipts and unrestricted grants and entitlements by 78 percent. Special and vocational instruction activities are partially provided for through operating grants.

Noninstructional services include food service activities. All noninstructional services were provided for through program receipts for fiscal year 2007. The majority of the program receipts associated with noninstructional services includes cafeteria sales and state and federal subsidies for food service.

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The District's major funds are the General Fund, Ohio School Facilities Commission Maintenance fund, Bond Retirement fund, and Permanent Improvement fund.

For fiscal year 2007, the District's receipts exceeded disbursements in the General Fund due in large part to the reduction in staffing levels. As a result, there was a 100 percent increase in fund balance.

Property tax receipts in the Ohio School Facilities Commission Maintenance fund continue to be sufficient to provide for the maintenance costs of the instructional buildings.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

Property tax receipts in the Bond Retirement fund continue to be sufficient to cover debt service requirements.

Property tax receipts in the Permanent Improvement fund continue to be sufficient to cover small improvement projects and purchases of equipment.

**BUDGETARY HIGHLIGHTS**

The District prepares an annual budget of receipts and disbursements for all funds of the District for use by District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of July. The District's most significant budgeted fund is the General Fund. During fiscal year 2007, the District amended its General Fund budget as needed.

Changes in estimated receipts and appropriations from the original budget to the final budget were not significant.

The District increased final estimated receipts to match the actual amount of receipts during the fiscal year. The District's final appropriations are passed by the Board of Education at the end of the fiscal year to match actual expenditures plus encumbrances.

**DEBT ADMINISTRATION**

The District had general obligation bonds outstanding, in the amount of \$5,938,467, which will be repaid from a voted property tax levy of 3.9 mills. For further information regarding the District's long-term obligations, refer to Note 15 to the basic financial statements.

**CURRENT ISSUES**

In fiscal year 2008, the District reduced staffing levels by five teachers, four aides, one four-route bus driver, one-half custodial position, replaced a seven-hour cook with a three-hour cook, four varsity assistant coaches, and one flag corp extracurricular contract. The elimination of staff provided a \$337,000 savings to the District's operations. Over the last four fiscal years, the District has reduced staffing levels and changed health care policies to generate a savings of \$1.537 million.

For fiscal year 2008, the District issued \$2,924,999 in School Improvement Refunding general obligation bonds to refund \$2,925,000 of the 2001 School Improvement general obligation bonds. The District contributed \$72,120. The refunding will save \$111,011 in interest payments over the life of the debt issue.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those interested in our District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Robert J. Giesige, Treasurer, 405 North Water Street, Paulding, Ohio 45879-1251.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**Statement of Net Assets - Cash Basis  
June 30, 2007**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,774,190</u>
<u>Net Assets:</u>	
Restricted for:	
Debt Service	\$255,329
Capital Projects	483,884
Other Purposes	548,947
Unrestricted	<u>486,030</u>
Total Net Assets	<u>\$1,774,190</u>

See Accompanying Notes to Basic Financial Statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2007**

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest		Capital Grants and Contributions
<u>Governmental Activities:</u>					
Current:					
Instruction:					
Regular	\$7,682,789	\$76,079	\$499,013	(\$7,107,697)	
Special	1,633,872	54	1,466,901	(166,917)	
Vocational	303,976	2,957	56,287	(244,732)	
Support Services:					
Pupils	649,206	50,055	7,951	(591,200)	
Instructional Staff	694,143			(694,143)	
Board of Education	82,814			(82,814)	
Administration	1,152,296			(1,152,296)	
Fiscal	495,168			(495,168)	
Business	81,442			(81,442)	
Operation and Maintenance of Plant	1,117,992		9,320	(1,108,672)	
Pupil Transportation	892,990		12,335	(858,019)	
Central	6,190		5,690	(500)	
Noninstructional Services	613,833	401,407	217,234	4,808	
Extracurricular Activities	441,459	91,256		(350,203)	
Capital Outlay	142,736			(142,736)	
Intergovernmental	897,307			(897,307)	
Debt Service:					
Principal Retirement	320,000			(320,000)	
Interest and Fiscal Charges	254,993			(254,993)	
<b>Total Governmental Activities</b>	<b>\$17,463,206</b>	<b>\$621,808</b>	<b>\$2,274,731</b>	<b>\$22,636</b>	<b>(14,544,031)</b>
<u>General Receipts:</u>					
Property Taxes Levied for:					
General Purposes				3,272,738	
Classroom Facilities Maintenance				65,222	
Debt Service				549,584	
Permanent Improvement				140,919	
Income Taxes				1,679,389	
Payment in Lieu of Taxes				15,258	
Grants and Entitlements not Restricted to Specific Programs				8,196,056	
Interest				144,214	
Miscellaneous				95,195	
<b>Total General Receipts</b>				<b>14,158,575</b>	
Change in Net Assets				(385,456)	
Net Assets at Beginning of Year				2,159,646	
Net Assets at End of Year				<b>\$1,774,190</b>	

See Accompanying Notes to Basic Financial Statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2007**

	General	Ohio School Facilities Commission Maintenance	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$486,030	\$339,381	\$255,329	\$483,884	\$207,318	\$1,771,942
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	2,248					2,248
<b>Total Assets</b>	<b>\$488,278</b>	<b>\$339,381</b>	<b>\$255,329</b>	<b>\$483,884</b>	<b>\$207,318</b>	<b>\$1,774,190</b>
<u>Fund Balances:</u>						
Reserved for Encumbrances	\$64,294	\$5,554		\$44,478	\$18,438	\$132,764
Reserved for Capital Improvements	2,248					2,248
Unreserved, Reported in:						
General Fund	421,736					421,736
Special Revenue Funds		333,827			188,880	522,707
Debt Service Fund			\$255,329			255,329
Capital Projects Fund				439,406		439,406
<b>Total Fund Balances</b>	<b>\$488,278</b>	<b>\$339,381</b>	<b>\$255,329</b>	<b>\$483,884</b>	<b>\$207,318</b>	<b>\$1,774,190</b>

See Accompanying Notes to Basic Financial Statements



**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2007**

	General	Ohio School Facilities Commission Maintenance	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<b>Receipts:</b>						
Property Taxes	\$3,272,738	\$65,222	\$549,584	\$140,919		\$4,028,463
Income Taxes	1,679,389					1,679,389
Payment in Lieu of Taxes	15,258					15,258
Intergovernmental	9,097,513	9,320	82,573	20,234	\$1,273,997	10,483,637
Interest	106,245			587	40,318	147,150
Tuition and Fees	76,998					76,998
Extracurricular Activities					118,976	118,976
Charges for Services					425,834	425,834
Gifts and Donations					6,850	6,850
Miscellaneous	51,605	41,430			2,160	95,195
<b>Total Receipts</b>	<b>14,299,746</b>	<b>115,972</b>	<b>632,157</b>	<b>161,740</b>	<b>1,868,135</b>	<b>17,077,750</b>
<b>Disbursements:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	7,432,547			12,684	237,558	7,682,789
Special	1,218,666				415,206	1,633,872
Vocational	303,976					303,976
<b>Support Services:</b>						
Pupils	536,139				113,067	649,206
Instructional Staff	423,168				270,975	694,143
Board of Education	82,814					82,814
Administration	1,077,632				74,664	1,152,296
Fiscal	470,904	2,106	17,636	4,522		495,168
Business	81,442					81,442
Operation and Maintenance of Plant	1,085,883	26,611			5,498	1,117,992
Pupil Transportation	889,884				3,106	892,990
Central	500				5,690	6,190
Noninstructional Services	1,101				612,732	613,833
Extracurricular Activities	350,477				90,982	441,459
Capital Outlay				123,536	19,200	142,736
Intergovernmental	3,667				893,640	897,307
<b>Debt Service:</b>						
Principal Retirement			320,000			320,000
Interest and Fiscal Charges			254,993			254,993
<b>Total Disbursements</b>	<b>13,958,800</b>	<b>28,717</b>	<b>592,629</b>	<b>140,742</b>	<b>2,742,318</b>	<b>17,463,206</b>
Excess of Receipts Over (Under) Disbursements	340,946	87,255	39,528	20,998	(874,183)	(385,456)
<b>Other Financing Sources (Uses):</b>						
Advances In	15,304				30,401	45,705
Advances Out	(30,401)				(15,304)	(45,705)
Transfers In				317,254		317,254
Transfers Out					(317,254)	(317,254)
<b>Total Other Financing Sources (Uses)</b>	<b>(15,097)</b>			<b>317,254</b>	<b>(302,157)</b>	
Changes in Fund Balances	325,849	87,255	39,528	338,252	(1,176,340)	(385,456)
Fund Balances at Beginning of Year	162,429	252,126	215,801	145,632	1,383,658	2,159,646
Fund Balances at End of Year	<u>\$488,278</u>	<u>\$339,381</u>	<u>\$255,329</u>	<u>\$483,884</u>	<u>\$207,318</u>	<u>\$1,774,190</u>

See Accompanying Notes to Basic Financial Statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**Statement of Receipts, Disbursements, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$3,241,019	\$3,272,738	\$3,272,738	
Income Taxes	1,667,057	1,679,389	1,679,389	
Payment in Lieu of Taxes	17,544	15,258	15,258	
Intergovernmental	8,989,439	9,097,513	9,097,513	
Interest	69,527	106,245	106,245	
Tuition and Fees	92,690	76,998	76,998	
Miscellaneous	49,119	51,598	51,605	\$7
<b>Total Receipts</b>	<b>14,126,395</b>	<b>14,299,739</b>	<b>14,299,746</b>	<b>7</b>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	7,362,750	7,443,556	7,443,556	
Special	1,265,235	1,219,107	1,219,107	
Vocational	294,508	305,163	305,163	
Support Services:				
Pupils	529,149	536,639	536,639	
Instructional Staff	455,112	424,557	424,557	
Board of Education	128,511	88,040	88,040	
Administration	1,113,997	1,079,719	1,079,719	
Fiscal	381,649	470,904	470,904	
Business	79,566	81,442	81,442	
Operation and Maintenance of Plant	1,110,338	1,101,688	1,101,688	
Pupil Transportation	849,223	915,177	915,177	
Central	1,000	500	500	
Noninstructional Services	1,557	1,101	1,101	
Extracurricular Activities	363,581	351,834	351,834	
Intergovernmental		3,667	3,667	
<b>Total Disbursements</b>	<b>13,936,176</b>	<b>14,023,094</b>	<b>14,023,094</b>	
Excess of Receipts Over Disbursements	190,219	276,645	276,652	7
<u>Other Financing Sources (Uses):</u>				
Advances In	15,304	15,304	15,304	
Advances Out		(30,401)	(30,401)	
<b>Total Other Financing Sources (Uses)</b>	<b>15,304</b>	<b>(15,097)</b>	<b>(15,097)</b>	
Changes in Fund Balance	205,523	261,548	261,555	7
Fund Balance at Beginning of Year	83,196	83,196	83,196	
Prior Year Encumbrances Appropriated	79,233	79,233	79,233	
<b>Fund Balance at End of Year</b>	<b>\$367,952</b>	<b>\$423,977</b>	<b>\$423,984</b>	<b>\$7</b>

See Accompanying Notes to the Basic Financial Statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**Statement of Receipts, Disbursements, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
Ohio School Facilities Maintenance Special Revenue Fund  
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$65,000	\$65,222	\$65,222	
Intergovernmental	8,000	9,320	9,320	
Miscellaneous		41,430	41,430	
<b>Total Receipts</b>	<b>73,000</b>	<b>115,972</b>	<b>115,972</b>	
<u>Disbursements:</u>				
Current:				
Support Services:				
Fiscal	2,000	2,106	2,106	
Operation and Maintenance of Plant	198,000	32,165	32,165	
<b>Total Disbursements</b>	<b>200,000</b>	<b>34,271</b>	<b>34,271</b>	
Changes in Fund Balance	(127,000)	81,701	81,701	
Fund Balance at Beginning of Year	250,681	250,681	250,681	
Prior Year Encumbrances Appropriated	1,445	1,445	1,445	
<b>Fund Balance at End of Year</b>	<b>\$125,126</b>	<b>\$333,827</b>	<b>\$333,827</b>	

See Accompanying Notes to the Basic Financial Statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**Statement of Cash Basis Fiduciary Net Assets  
Agency Funds  
June 30, 2007**

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$61,163</u></u>
 <u>Liabilities:</u>	
Due to Students	\$59,709
Undistributed Assets	<u>1,454</u>
 Total Liabilities	 <u><u>\$61,163</u></u>

See Accompanying Notes to the Basic Financial Statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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

The District was established through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred seventy-eight square miles. It is located in Paulding County. The District is the 320th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-seven classified employees, one hundred nineteen certified teaching personnel, and eleven administrative employees who provide services to 1,734 students and other community members. The District currently operates four instructional buildings.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Paulding Exempted Village School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. There are no component units of the Paulding Exempted Village School District.

The District participates in four jointly governed organizations and two insurance pools. These organizations are the West Central Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Northwest Ohio Area Computer Services Cooperative, Vantage Career Center, Northwest Ohio Educational Council Insurance Pool Program, and the Paulding County School Consortium's Employee Insurance Benefits Program. These organizations are presented in Notes 18 and 19 to the basic financial statements.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants, contributions restricted to meeting the operational or capital requirements of a particular program, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major funds are the General Fund, Ohio School Facilities Commission fund, Bond Retirement fund, and the Permanent Improvement fund.

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

Ohio School Facilities Commission Maintenance Fund - The Ohio School Facilities Commission Maintenance fund accounts for property taxes to be used for the maintenance of instructional buildings.

Bond Retirement Fund - The Bond Retirement fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs on the general obligation bonds.

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

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District did not have any trust funds in fiscal year 2007. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for staff generated revenues for noninstructional activities and various student-managed activities.

**C. Basis of Accounting**

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**D. Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board. Prior to fiscal year end, the District requests a certificate of estimated resources that matches actual revenues plus carry-over balances.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. The Board adopts the final budgeted amounts at the end of the fiscal year to match actual expenditures plus year end encumbrances; therefore, no variances are reflected on the Statements of Receipts, Disbursements, and Changes in Fund Balance, Budget (Non-GAAP Basis) and Actual.

**E. Cash and Investments**

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

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



**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$106,245, which included \$64,655 assigned from other District funds.

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

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted assets in the General Fund represent amounts required by State statute to be set aside to create a reserve for the acquisition and construction of capital improvements.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Accumulated Leave**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, adult education programs, vocational programs, and federal and state grants restricted to expenditure for specified purposes. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation as of June 30, 2007.

**M. Fund Balance Reserves**

The District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and capital improvements.

**N. Interfund Activity**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

**NOTE 3 -CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

**A. Change in Basis of Accounting**

For fiscal year 2007, the District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2.

**B. Restatement of Fund Equity**

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the District as they were previously reported. The effects on net assets of governmental activities are also presented. The elimination of General fund asset accruals also includes the previous year's fair market valuation of investments.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 3 -CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY –  
(CONTINUED)**

	<u>General</u>	<u>Ohio School Facilities Commission Maintenance</u>	<u>Bond Retirement</u>
Fund Balance June 30, 2006	(\$575,237)		\$262,515
Eliminate Asset Accruals	(830,885)		(46,714)
Eliminate Interfund Receivables (Payables)	(15,304)		
Eliminate Liability Accruals	1,583,855		
Change in Major Funds		\$252,126	
Adjusted Fund Balance June 30, 2006	<u>\$162,429</u>	<u>\$252,126</u>	<u>\$215,801</u>

	<u>Permanent Improvement</u>	<u>Ohio School Facilities Commission</u>
Fund Balance June 30, 2006		\$1,173,512
Change in Major Funds	\$145,632	(1,173,512)
Adjusted Fund Balance June 30, 2006	<u>\$145,632</u>	

	<u>Other Governmental</u>	<u>Total Governmental</u>
Fund Balance June 30, 2006	\$653,779	\$1,514,569
Eliminate Asset Accruals	(182,632)	(1,060,231)
Eliminate Inventory	(29,022)	(29,022)
Eliminate Interfund Receivables (Payables)	15,304	
Eliminate Liability Accruals	150,475	1,734,330
Change in Major Funds	775,754	
Adjusted Fund Balance June 30, 2006	<u>\$1,383,658</u>	<u>\$2,159,646</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 3 -CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY –  
(CONTINUED)**

Governmental Activities Net Assets June 30, 2006	\$25,644,876
Changes from Modified Accruals	645,077
Eliminate Government-Wide Financial Statements Adjustments:	
Accrued Interest Receivable	(535)
Intergovernmental Receivable	(2,251)
Income Taxes Receivable	(122,841)
Property Taxes Receivable	(141,627)
Capital Assets	(31,197,687)
Accrued Interest Payable	21,763
General Obligation Bonds Payable	6,198,541
Compensated Absences Payable	1,114,330
Adjusted Governmental Activities Net Assets June 30, 2006	<u>\$2,159,646</u>

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2007, the Ohio Literacy Improvement fund had a deficit fund balance of \$19,514.

**B. Compliance**

At June 30, 2007, the Ohio Literacy Improvement fund had a deficit cash balance, in the amount of \$19,514.

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and Ohio School Facilities Commission major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$64,294
Ohio School Facilities Commission Maintenance Fund	5,554

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

Investments

At June 30, 2007, the District had \$1,646,826 invested in STAR Ohio. STAR Ohio had an average maturity of 38.56 days.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the District.

STAR Ohio carries a rating of AAA by Standard and Poor's. The District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The District places limitations on the amount it may invest in any one issuer as follows:

<u>Type of Investment</u>	<u>Maximum Concentration</u>
U. S. Government Guaranteed Obligations	100%
Obligations of Federal Instrumentalities	100
Certificates of Deposit	50
Banker's Acceptances and Commercial Paper	25
Repurchase Agreements	100
STAR Ohio	100

**NOTE 7 - PROPERTY TAXES**

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 7 - PROPERTY TAXES – (CONTINUED)**

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

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after October 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Paulding County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$126,864,640	81.71%	\$128,879,240	83.96%
Public Utility	13,379,630	8.62	13,438,780	8.76
Tangible Personal	15,012,919	9.67	11,177,243	7.28
Total Assessed Value	<u>\$155,257,189</u>	<u>100.00%</u>	<u>\$153,495,263</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$30.80	

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 8 - INCOME TAXES**

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is for a continuing period. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 9 - PAYMENT IN LIEU OF TAXES**

According to State law, the District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner is responsible for the computation of the amount owed to the District based upon the agreed-upon calculation. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**NOTE 10 - INTERFUND BALANCES**

At June 30, 2007, the General Fund had an unpaid interfund cash advance due in the amount of \$30,401 from the TANF grant fund \$28,700 and the Ohio Literacy Improvement fund \$1,701, other governmental funds. These advances were made to provide cash flow resources until the receipt of grant monies.

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District contracted for the following insurance coverage.

Coverage provided by Selective Insurance Company of South Carolina is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
Building and Contents	47,876,348

Coverage provided by American Alternative Insurance Company is as follows:

Excess Liability	5,000,000
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Coverage provided by Federal Insurance Company is as follows:

Boiler and Machinery	50,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years. The excess liability coverage was reduced from \$10,000,000 in fiscal year 2006 to \$5,000,000 in fiscal year 2007.



**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 11 - RISK MANAGEMENT – (CONTINUED)**

The District participates in the Northwest Ohio Educational Council Insurance Pool Program (Program), an insurance purchasing pool consisting of three city school districts, eleven local school districts, two exempted village school districts, and one educational service center. The intent of the Program is to achieve the benefit of a reduced premium for the District for its property and liability insurance by virtue of its grouping and representation with other participants in the Program.

The District participates in the Paulding County School Consortium's Employee Insurance Benefits Program (Program), an insurance purchasing pool consisting of two local school districts and one exempted village school district. The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administration costs.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent; 13 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 employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005, was \$880,965, \$904,764, and \$906,738, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$4,166 made by the District and \$6,061 made by plan members.

**B. School Employees Retirement System**

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$185,100, \$194,934 and \$194,948, respectively; 44 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 13 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount was \$68,087.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the District, the amount to fund health care benefits, including the surcharge, was \$83,884 for fiscal year 2007.

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, 2006 (the latest available information) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Administrators earn twenty to thirty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated without limit for all employees. Upon retirement, payment is made for a maximum of forty-four days and 5 percent of any accrued but unused sick leave credit in excess of forty-four days for certified employees and for a maximum of forty days and 5 percent of any accrued but unused sick leave credit in excess of forty days for classified employees.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 14 - OTHER EMPLOYEE BENEFITS – (CONTINUED)**

**B. Health Care Benefits**

The District offers medical and dental insurance to most employees through Blue Cross/Blue Shield. Life insurance is offered through Anthem Life Insurance Company. Vision care is offered through Vision Service Plan.

**NOTE 15 - LONG-TERM OBLIGATIONS**

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

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3 - 5%	\$5,575,000		\$320,000	\$5,255,000	
Capital Appreciation Bonds 9.39%	373,897			373,897	\$195,520
Capital Appreciation Bond Accretion	249,645	\$59,925		309,570	159,480
Total General Obligation Bonds	<u>\$6,198,542</u>	<u>\$59,925</u>	<u>\$320,000</u>	<u>\$5,938,467</u>	<u>\$355,000</u>

School Improvement General Obligation Bonds - On May 31, 2001, the District issued \$7,168,897 in voted general obligation bonds for renovating and improving school facilities. The bond issue included serial and capital appreciation bonds, in the amount of \$6,795,000 and \$373,897, respectively. The bonds were issued for a twenty year period, with final maturity during fiscal year 2021. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 3.9 mill voted property tax levy.

The serial bonds maturing after December 1, 2011, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 1, 2011, at redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the date fixed for redemption.

Redemption dates (Dates Inclusive)	Redemption Prices
December 1, 2011 through November 30, 2012	101%
December 1, 2012 and thereafter	100

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)**

The capital appreciation bonds will mature in fiscal years 2008 and 2009. The maturity amount for the bonds is \$710,000. For fiscal year 2007, \$59,925 was accreted for a total bond value of \$683,467.

The District's overall debt margin was \$5,979,253 with an unvoted debt margin of \$128,979 at June 30, 2007.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2007, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2008		\$248,832	\$195,520	\$159,480
2009		248,833	178,377	176,623
2010	\$350,000	241,395		
2011	395,000	225,366		
2012	400,000	207,975		
2013-2017	2,065,000	764,173		
2018-2021	2,045,000	210,387		
Totals	\$5,255,000	\$2,146,961	\$373,897	\$336,103

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

**NOTE 16 - SET ASIDES**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$141,907)	
Current Year Set Aside Requirement	250,332	\$250,332
Qualifying Expenditures	(113,427)	(41,943)
Offsets		(206,141)
Balance June 30, 2007	(\$5,002)	\$2,248
Amount Carried Forward to Fiscal Year 2008	(\$5,002)	\$2,248

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 16 - SET ASIDES – (CONTINUED)**

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

**NOTE 17 - INTERFUND TRANSFERS**

During fiscal year 2007, the Ohio School Facilities Commission fund made transfers to the Permanent Improvement fund, in the amount of \$317,254, to allocate the remaining balance after approval from the Ohio School Facilities Commission.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

**A. West Central Ohio Regional Professional Development Center**

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

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**B. West Central Ohio Special Education Regional Resource Center**

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)**

**C. Northwest Ohio Area Computer Services Cooperative**

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2007, the District paid \$14,572 to the NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

**D. Vantage Career Center**

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

**NOTE 19 - INSURANCE POOLS**

**A. Northwest Ohio Educational Council Insurance Pool Program**

The District participates in the Northwest Ohio Educational Council Insurance Pool Program (Program), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Program is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program to maintain adequate insurance protection and provide risk management programs and other administrative services for property and liability insurance. The Program's business and affairs are conducted by a seventeen member Governing Board consisting of an administrator from each school district. The Administrator of the Program is Public Entity Marsh who coordinates the management, administration, claims management, and actuarial studies of the Program. Financial information can be obtained from the Lucas County Educational Service Center, 2275 Collingwood, Toledo, Ohio 43620.

**B. Paulding County School Consortium's Employee Insurance Benefits Program**

The District participates in the Paulding County School Consortium's Employee Insurance Benefits Program (Program), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Program is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program to maintain adequate insurance protection and provide risk management programs and other administrative services for medical and dental insurance coverage to the employees of the participants. Each participant's superintendent is appointed to a Board of Directors which advises the Trustee, Sky Financial, concerning aspects of the administration of the Program.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 19 - INSURANCE POOLS – (CONTINUED)**

Each participant decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Mark Hartman, 303 South Harman Road, Antwerp, Ohio 45813.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The 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 District at June 30, 2007.

**B. Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, the Corporation may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$23,007 per year. A portion of the refund may be recovered from additional State entitlement payments.

**NOTE 21 - SUBSEQUENT EVENT**

On November 13, 2007, the District issued \$2,924,999 in general obligation bonds to partially refund general obligation bonds previously issued for the construction and improvement to instructional buildings in 2001. The serial refunding bonds have interest rates ranging from 3.75 to 4 percent and the capital appreciation bonds have an interest rate of 10.9 percent. The bonds refunded \$2,925,000 of the 2001 School Improvement general obligation bonds. The District contributed \$72,120 towards the refunding of this debt. A premium, in the amount of \$184,368, was received from the issuance of the new bonds. The net proceeds of \$3,030,593 plus the District's contribution of \$72,120 (after payments of \$78,774 in underwriter fees, insurance, and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds.



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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
School Breakfast Program	045575-05PU-2006	10.553
	045575-05PU-2006	10.553
Total School Breakfast Program		
National School Lunch Program	045575-LLP42006	10.555
	045575-LLP4-2007	10.555
Total National School Lunch Program		
Special Milk Program for Children	045575-02PU-2006	10.556
	045575-02PU-2007	10.556
Total Special Milk Program		
Total Nutrition Cluster		
Child and Adult Care Meal Program	045575-CCMO-2007	10.558
	045575-LUCP-2007	10.558
Total Child and Adult Care Meal Program		
Food Donation Program		10.550
Total U.S. Department of Agriculture		
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	045575-C1S1-2006	84.010
	045575-C1S1-2007	84.010
Total Title I Grants to Local Educational Agencies		
<u>Special Education Cluster:</u>		
Special Education Grants to States	045575-6BSD-2006	84.027
	045575-6BPB-2006	84.027
	045575-6BSF-2006	84.027
	045575-6BSF-2007	84.027
Total Special Education Grants to States		

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ 3,203			
11,362		14,565	
<u>14,565</u>		<u>14,565</u>	
30,094			
154,187		184,281	
<u>184,281</u>		<u>184,281</u>	
121			
947		1,068	
<u>1,068</u>		<u>1,068</u>	
199,914		199,914	
1,510			
145		1,655	
<u>1,655</u>		<u>1,655</u>	
	\$ 84,915		\$ 84,915
<b>201,569</b>	<b>84,915</b>	<b>201,569</b>	<b>84,915</b>
23,249		28,104	
223,405		208,372	
<u>246,654</u>		<u>236,476</u>	
8,190		1,445	
50,296		3,248	
425,120		48,084	
<u>483,606</u>		<u>374,000</u>	
		426,777	

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**U.S. DEPARTMENT OF EDUCATION (Continued)**

Special Education Preschool Grants	045575-PGS1-2006	84.173
	045575-PGS1-2007	84.173
Total Special Education Preschool Grants		
Total Special Education Cluster		
Safe and Drug Free Schools and Communities State Grant	045575-DRS1-2007	84.186
State Grants for Innovative Programs	045575-C2S1-2007	84.298
Education Technology State Grants	045575-TJS1-2006	84.318
	045575-TJS1-2007	84.318
Total Education Technology State Grants		
Improving Teacher Quality State Grants	044575-TRS1-2006	84.367
	045575-TRS1-2007	84.367
Total Improving Teacher Quality State Grants		
Total Department of Education		

**Totals**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

5,236		6,506	
31,261		30,889	
<u>36,497</u>		<u>37,395</u>	
520,103		464,172	
7,951		7,091	
2,410		2,410	
2,570		513	
<u>2,570</u>		<u>2,107</u>	
		2,620	
3,350		3,582	
<u>73,472</u>		<u>65,717</u>	
<u>76,822</u>		<u>69,299</u>	
<b>856,510</b>		<b>782,068</b>	
<b><u>\$ 1,058,079</u></b>	<b><u>\$ 84,915</u></b>	<b><u>\$ 983,637</u></b>	<b><u>\$ 84,915</u></b>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



# Mary Taylor, CPA

Auditor of State

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

Paulding Exempted Village School District  
Paulding County  
405 North Water Street  
Paulding, Ohio 45879-1251

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paulding Exempted Village School District, Paulding County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2008, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

### **Internal Control Over Financial Reporting**

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

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

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

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

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 22, 2008.

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

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



**Mary Taylor, CPA**  
Auditor of State

January 22, 2008





# Mary Taylor, CPA

Auditor of State

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

Paulding Exempted Village School District  
Paulding County  
405 North Water Street  
Paulding, Ohio 45879-1251

To the Board of Education:

### Compliance

We have audited the compliance of Paulding Exempted Village School District, Paulding County, (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 apply to its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Paulding Exempted Village School District, Paulding County, complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2007.

### Internal Control Over Compliance

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

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

January 22, 2008

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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

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

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

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

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

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

**Officials Response:** The District utilized the OCBOA (Other Comprehensive Basis of Accounting) to compile and complete the financial statements and notes. OCBOA appears to be a Government Accounting Standards Board approved alternative to GAAP reporting. The Ohio Administrative Code required the District to file financial reports on the GAAP basis. The District believes the excess costs associated with generating and auditing the reports on a GAAP basis far outweigh any benefits.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**Mary Taylor, CPA**  
Auditor of State

**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  
FEBRUARY 12, 2008**