



Dave Yost • Auditor of State

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

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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, the 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, 2011, 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, the major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio, as of June 30, 2011, and the respective changes in cash financial position, thereof, and the budgetary comparison for the General fund for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3 to the financial statements, for the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

November 17, 2011

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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, 2011, 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 2011 are as follows:

In total, net assets of the District increased \$1,526,825 or 32 percent.

The District received \$702,836 in State Fiscal Stabilization and Education Jobs federal money that was used to supplant General fund money.

The District entered into a House Bill 264 Energy Conservation Agreement and issued \$400,000 in notes to finance the project. The energy savings from the improvements are guaranteed to pay for the project in fifteen years or less.

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. The General fund is the District's most significant fund.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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 2011, 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 SCHOOL 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 fund is the General 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the District's net assets for fiscal year 2011 and fiscal year 2010.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Table I
Net Assets
Governmental Activities

	2011	2010
<u>Assets:</u>		
Cash and Cash Equivalents	<u>\$6,225,029</u>	<u>4,728,204</u>
<u>Net Assets:</u>		
Cash and Cash Equivalents	1,785,434	1,696,467
Unrestricted	<u>4,469,595</u>	<u>3,031,737</u>
Total Net Assets	<u>\$6,255,029</u>	<u>\$4,728,204</u>

Cash and Cash Equivalents and Unrestricted Net Assets increased due to the reduction in staffing levels at the high school; supplanting General fund money with State Fiscal Stabilization and Education Jobs federal money; and receipt of \$400,000 Energy Conservation Notes for the House Bill 264 project. Majority of the project expenditures were spent in FY 2011.

Table 2 reflects the change in net assets for fiscal year 2011 and fiscal year 2010.

Table 2
Change in Net Assets
Governmental Activities

	2011	2010
<u>Receipts:</u>		
Program Receipts		
Charges for Services	\$730,371	\$698,589
Operating Grants, Contributions, and Interest	2,935,283	2,067,396
Capital Grants and Contributions	<u>4,707</u>	<u>99,132</u>
Total Program Receipts	3,670,361	2,865,117
General Receipts		
Property Taxes Levied for General Purposes	3,221,781	3,176,471
Property Taxes Levied for Classroom Facilities Maintenance	58,564	60,493
Property Taxes Levied for Debt Service	546,684	537,247
Property Taxes Levied for Permanent Improvement	140,175	137,755
Income Taxes	1,592,376	1,551,588
Grants and Entitlements Not Restricted to Specific Programs	9,031,142	9,787,939
Energy Conservation Notes Issued	400,000	
Proceeds from Sales of Capital Assets	15,720	
Interest	42,007	31,611
Miscellaneous	<u>76,874</u>	<u>50,504</u>
Total General Receipts	<u>15,125,323</u>	<u>15,333,608</u>
Total Receipts	<u>18,795,684</u>	<u>18,198,725</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
Governmental Activities
(Continued)

	2011	2010
<u>Disbursements:</u>		
Instruction:		
Regular	\$6,036,011	\$6,351,062
Special	2,026,173	1,996,657
Vocational	3,089	1,412
Other	1,430,004	1,343,893
Support Services:		
Pupils	747,963	663,520
Instructional Staff	932,607	697,556
Board of Education	74,248	86,687
Administration	1,009,100	1,194,517
Fiscal	483,160	521,575
Business	3,533	89,648
Operation of Maintenance of Plant	1,265,861	1,201,583
Pupil Transportation	1,088,421	987,310
Central	74,725	9,267
Noninstructional Services	619,117	571,616
Extracurricular Activities	512,785	467,823
Capital Outlay	356,937	91,584
Debt Service:		
Principal Retirement	405,000	385,000
Interest and Fiscal Charges	190,191	204,455
Refund of Prior Year Receipts	9,934	
Total Disbursements	17,268,859	16,865,165
Increase in Net Assets	1,526,825	1,333,560
Net Assets at Beginning of Year	4,728,204	3,394,644
Net Assets at End of Year	6,255,029	4,728,204

Program receipts represent 20 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 96 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 29 percent of governmental disbursements.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

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	Net Cost of Service	Total Cost of Services	Net Cost of Service
	2011	2011	2010	2010
<u>Disbursements:</u>				
Instruction:				
Regular	\$6,036,011	\$5,653,765	\$6,351,062	\$5,976,818
Special	2,026,173	1,198,882	1,996,657	1,136,377
Vocational	3,089	(8,011)	1,412	(5,747)
Other	1,430,004	1,414,249	1,343,893	1,343,893
Support Services:				
Pupils	747,963	399,601	663,520	501,307
Instructional Staff	932,607	466,624	697,556	392,440
Board of Education	74,248	74,248	86,687	86,687
Administration	1,009,100	673,766	1,194,517	1,067,696
Fiscal	483,160	477,885	521,575	521,575
Business	3,533	3,533	89,648	89,648
Operation of Maintenance of Plant	1,265,861	917,830	1,201,583	1,199,496
Pupil Transportation	1,088,421	1,088,421	987,310	899,409
Central	74,725	68,990	9,267	1,000
Noninstructional Services	619,117	(50,291)	571,616	(84,318)
Extracurricular Activities	512,785	363,744	467,823	304,389
Capital Outlay	356,937	356,937	91,584	91,584
Debt Service:				
Principal Retirement	405,000	314,220	385,000	312,420
Interest and Fiscal Charges	190,191	174,171	204,455	165,374
Refund of Prior Year Receipts	9,934	9,934		
Total Disbursements	<u>\$17,268,859</u>	<u>\$13,598,498</u>	<u>\$16,865,165</u>	<u>\$14,000,048</u>

Instructional activities were supported by tax receipts and unrestricted grants and entitlements by 87 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 2011. The majority of the program receipts associated with noninstructional services includes cafeteria sales and state and federal subsidies for food service.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The District's major fund is the General fund.

For fiscal year 2011, the District's receipts exceeded disbursements in the General fund primarily due to the reduction in staffing levels at the high school and supplanting General fund money with State Fiscal Stabilization and Education Jobs federal money. As a result, there was a 46 percent increase in fund balance.

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 2011, the District amended its General fund budget as needed.

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

DEBT ADMINISTRATION

The District had general obligation bonds outstanding, in the amount of \$4,534,167, which will be repaid from a voted property tax levy of 3.9 mills. The District also has \$400,000 outstanding in tax Exempt Energy Conservation notes. For further information regarding the District's long-term obligations, refer to Note 12 to the basic financial statements.

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 Maria Rellinger, Treasurer/CFO, 405 North Water Street, Paulding, Ohio 45879-1251.

**Paulding Exempted Village School District
Paulding County**

**Statement of Net Assets
June 30, 2011**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,255,029</u>
<u>Net Assets:</u>	
Restricted for:	
Debt Service	\$347,155
Capital Projects	612,284
Other Purposes	825,995
Unrestricted	<u>4,469,595</u>
Total Net Assets	<u>\$6,255,029</u>

See Accompanying Notes to Basic Financial Statements

**Paulding Exempted Village School District
Paulding County**

**Statement of Activities
For the Fiscal Year Ended June 30, 2011**

	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
Governmental Activities:					
Current:					
Instruction:					
Regular	\$6,036,011	\$51,619	\$330,627		(\$5,653,765)
Special	2,026,173	164	822,420	\$4,707	(1,198,882)
Vocational	3,089	7,584	3,516		8,011
Other	1,430,004		15,755		(1,414,249)
Support Services:					
Pupils	747,963	218,282	130,080		(399,601)
Instructional Staff	932,607		465,983		(466,624)
Board of Education	74,248				(74,248)
Administration	1,009,100		335,334		(673,766)
Fiscal	483,160		5,275		(477,885)
Business	3,533				(3,533)
Operation and Maintenance of Plant	1,265,861		348,031		(917,830)
Pupil Transportation	1,088,421				(1,088,421)
Central	74,725		5,735		(68,990)
Noninstructional Services	619,117	303,681	365,727		50,291
Extracurricular Activities	512,785	149,041			(363,744)
Capital Outlay	356,937				(356,937)
Debt Service:					
Principal Retirement	405,000		90,780		(314,220)
Interest and Fiscal Charges	190,191		16,020		(174,171)
Refund of Prior Year Receipts	9,934				(9,934)
Total Governmental Activities	\$17,268,859	\$730,371	\$2,935,283	\$4,707	(13,598,498)
General Receipts:					
Property Taxes Levied for:					
General Purposes					3,221,781
Classroom Facilities Maintenance					58,564
Debt Service					546,684
Permanent Improvement					140,175
Income Taxes					1,592,376
Grants and Entitlements not Restricted to Specific Programs					9,031,142
Energy Conservation Notes Issued					400,000
Proceeds From Sale of Capital Assets					15,720
Interest					42,007
Miscellaneous					76,874
Total General Receipts					15,125,323
Change in Net Assets					1,526,825
Net Assets at Beginning of Year					4,728,204
Net Assets at End of Year					\$6,255,029

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, 2011**

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,469,595	\$1,785,434	\$6,255,029
 <u>Fund Balances:</u>			
Restricted		\$1,371,058	\$1,371,058
Non-Spendable		61,207	61,207
Committed		187,694	187,694
Assigned	\$123,723	169,241	292,964
Unassigned	4,345,872	(3,766)	4,342,106
 Total Fund Balances	 \$4,469,595	 \$1,785,434	 \$6,255,029

See Accompanying Notes to Basic Financial Statements

**Paulding Exempted Village School District
Paulding County**

**Statement of Cash Basis Receipts, Disbursements, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011**

	General	Other Governmental	Total Governmental Funds
<u>Receipts:</u>			
Property Taxes	\$3,221,781	\$745,423	\$3,967,204
Income Taxes	1,592,376		1,592,376
Intergovernmental	9,300,526	2,588,893	11,889,419
Interest	42,007	1,575	43,582
Tuition and Fees	291,380		291,380
Extracurricular Activities	56,491	144,593	201,084
Charges for Services		308,130	308,130
Gifts and Donations		8,915	8,915
Miscellaneous	76,874		76,874
Total Receipts	14,581,435	3,797,529	18,378,964
<u>Disbursements:</u>			
Current:			
Instruction:			
Regular	5,944,250	91,761	6,036,011
Special	1,275,238	750,935	2,026,173
Vocational	3,089		3,089
Other	1,414,249	15,755	1,430,004
Support Services:			
Pupils	617,884	130,079	747,963
Instructional Staff	466,620	465,987	932,607
Board of Education	74,248		74,248
Administration	673,768	335,332	1,009,100
Fiscal	447,948	35,212	483,160
Business	3,533		3,533
Operation and Maintenance of Plant	816,138	449,723	1,265,861
Pupil Transportation	1,015,420	73,001	1,088,421
Central	68,990	5,735	74,725
Noninstructional Services	96	619,021	619,117
Extracurricular Activities	346,843	165,942	512,785
Capital Outlay		356,937	356,937
Debt Service:			
Principal Retirement		405,000	405,000
Interest and Fiscal Charges	2,664	187,527	190,191
Total Disbursements	13,170,978	4,087,947	17,258,925
Excess of Receipts Over (Under) Disbursements	1,410,457	(290,418)	1,120,039
<u>Other Financing Sources (Uses):</u>			
Advances In	1,128		1,128
Advances Out		(1,128)	(1,128)
Proceeds from Sale of Capital Assets	15,720		15,720
Energy Conservation Notes Issued		400,000	400,000
Transfers In		10	10
Refund of Prior Year Expenditures		1,000	1,000
Refund of Prior Year Receipts	(9,934)		(9,934)
Transfers Out	(10)		(10)
Total Other Financing Sources (Uses)	6,904	399,882	406,786
Changes in Fund Balances	1,417,361	109,464	1,526,825
Fund Balances at Beginning of Year (Restated)	3,052,234	1,675,970	4,728,204
Fund Balances at End of Year	\$4,469,595	\$1,785,434	\$6,255,029

See Accompanying Notes to Basic Financial Statements

**Paulding Exempted Village School District
Paulding County**

**Statement of Cash Receipts, Cash Disbursements,
and Chages in Fund Balances - (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Receipts:</u>				
Property and Other Local Taxes	\$2,926,205	\$2,926,205	\$3,221,781	\$295,576
Income Tax	1,551,588	1,551,588	1,592,376	40,788
Intergovernmental	9,076,036	9,076,036	9,300,526	224,490
Interest	35,000	35,000	42,007	7,007
Tuition and Fees	219,928	219,928	291,380	71,452
Miscellaneous	41,600	41,600	76,874	35,274
Total Receipts	13,850,357	13,850,357	14,524,944	674,587
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,207,780	6,207,780	5,957,296	250,484
Special	1,339,651	1,339,651	1,275,238	64,413
Vocational			3,089	(3,089)
Other	1,391,600	1,391,600	1,414,249	(22,649)
Support Services:				
Pupils	686,036	686,036	561,243	124,793
Instructional Staff	558,486	558,486	477,657	80,829
Board of Education	94,800	94,800	74,248	20,552
Administration	871,514	871,514	673,768	197,746
Fiscal	508,840	508,840	447,948	60,892
Business			3,533	(3,533)
Operation and Maintenance of Plant	786,663	786,663	816,214	(29,551)
Pupil Transportation	953,024	953,024	1,018,943	(65,919)
Central	84,487	84,487	68,990	15,497
Non-Instructional Services	1,605	1,605	96	1,509
Extracurricular Activities	343,304	343,304	346,843	(3,539)
Capital Outlay			75,693	(75,693)
Debt Service:				
Interest			2,664	(2,664)
Total Disbursements	13,827,790	13,827,790	13,217,712	610,078
Excess of Receipts Over Disbursements	22,567	22,567	1,307,232	1,284,665
<u>Other Financing Sources (Uses):</u>				
Advances In	1,300	1,300	1,128	(172)
Proceeds from Sale of Capital Assets			15,720	15,720
Transfers Out			(10)	(10)
Refund of Prior Year Receipts			(9,934)	(9,934)
Total Other Financing Sources and Uses	1,300	1,300	6,904	5,604
Net Change in Fund Balances	23,867	23,867	1,314,136	1,290,269
Fund Balance at Beginning of Year	3,008,702	3,008,702	3,008,702	
Prior Year Encumbrances Appropriated	23,035	23,035	23,035	
Fund Balance at End of Year	\$3,055,604	\$3,055,604	\$4,345,873	\$1,290,269

**Paulding Exempted Village School District
Paulding County**

**Statement of Cash Basis Assets and Net Cash Assets
Fiduciary Fund
June 30, 2011**

	<u>Agency Fund</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$59,301</u>
<u>Liabilities:</u>	
Due to Students	\$58,392
Undistributed Assets	<u>909</u>
Total Liabilities	<u>\$59,301</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, 2011**

Note 1 - Description of the District and Reporting Entity

Paulding Exempted Village School District (the 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. It is staffed by seventy-seven classified employees, one hundred eighteen certified teaching personnel, and eleven administrative employees who provide services to 1,644 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 the 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 District, are accessible to the District and are significant in amount to the District. There are no component units of the District.

The District participates in three jointly governed organizations and two insurance pools. These organizations are the Educational Regional Services System (ERSS), 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 15 and 16 to the basic financial statements.

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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 – Summary of Significant 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.

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 fund is the General 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 – Summary of Significant Accounting Policies – (Continued)

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 2011. 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

Although the Ohio Administrative Code § 117-2-03(B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

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.

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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 – Summary of Significant Accounting Policies – (Continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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

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

E. Cash and 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 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.

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 2011, the District’s investments included, repurchase agreements 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, 2011.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 2011 was \$42,007, which included \$12,182 assigned from other District funds.

F. 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.

G. Capital Assets

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

H. 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.

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. 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.

K. 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, 2011.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 – Summary of Significant Accounting Policies – (Continued)

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

M. 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 – Summary of Significant Accounting Policies – (Continued)

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 – Restatement of Balances at Beginning of Year

For fiscal year 2011, the District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund type Definitions." GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definition. The requirements of this statement classify fund balances as nonspendable, restricted, committed, assigned, and/or unassigned.

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the District as they were previously reported.

	General	Other Governmental
Fund Balance at June 30, 2010	\$3,031,737	\$1,696,467
GASB 54 Implementation	20,497	(20,497)
Adjusted Fund Balance at June 30, 2010	\$3,052,234	\$1,675,970

Note 4 – 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 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 following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General fund:

Fund Cash Balance	
	General Fund
Cash Basis	\$4,469,595
Funds Budgeted Elsewhere	(20,183)
Adjustment for Encumbrances	(103,539)
Budget Basis	\$4,345,873

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 4 – Budgetary Basis of Accounting – (Continued)

As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on the Cash basis. This includes the uniform school supplies fund, public school support fund, special trust fund, rotary fund, and termination benefits funds.

Note 5 - 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;

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 5 - Deposits and Investments – (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2); and repurchase agreements secured by such obligations provided investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met. 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

As of June 30, 2011, the District had the following investments:

Investments	Carrying Value	Credit Rating	Investments Maturity Less Than 1 Year	% of Investment Balance
Star Ohio	\$126	AAAm	\$126	0%
Repurchase Agreement	<u>4,696,713</u>	N/A	<u>4,696,713</u>	<u>100%</u>
	<u><u>\$4,696,839</u></u>		<u><u>\$4,696,839</u></u>	<u><u>100%</u></u>

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 AAAM 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. Repurchase agreements are limited to US Treasury bills, bonds, notes or any other obligation or security issued by the US Treasury or any other obligation guaranteed as to principal and interest by the US and bonds, notes, debentures, or any other obligation or security issued by a federal government agency.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment in the repurchase agreement in the amount of \$4,696,713 is exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty's trust department or agent in the District's name. The District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 6 - Property Taxes

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009 and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years through 2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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.

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 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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 2010 (other than public utility property) represent the collection of calendar year 2009 taxes. Tangible personal property taxes received in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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. This will be reduced to 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 6 - Property Taxes – (Continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
Real Estate	\$141,064,700	92.18%	\$155,290,750	92.45%
Public Utility	11,739,520	7.67%	12,678,440	7.55%
Tangible Personal	235,030	0.15%		
Total Assessed Value	<u>153,039,250</u>	<u>100%</u>	<u>167,969,190</u>	<u>100%</u>
Tax Rate Per \$1,000 of Assessed Valuation	\$35.40		\$35.40	

Note 7 - 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 8 - 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 2011, the District contracted for the following insurance coverage.

Coverage provided by Selective Insurance Company of the Southwest is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
Building and Contents	55,769,029

Coverage provided by American Alternative Insurance Corporation is as follows:

Excess Liability	\$10,000,000
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Coverage provided by Federal Insurance Company is as follows:

Boiler and Machinery	\$50,000,000
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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 8 - Risk Management – (Continued)

Coverage provided by Illinois National Insurance Company is as follows:
School Board Legal Liability \$1,000,000

Coverage provided by Ironshore Specialty Insurance Company is as follows:
Site Pollution Incident Legal Liability \$1,000,000

The District participates in the Northwest Ohio Educational Council Insurance Pool Program (Program), an insurance purchasing pool consisting of three city school districts, ten 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 9 - 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, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 9 - Defined Benefit Pension Plans – (Continued)

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.

For the fiscal year ended June 30, 2011, 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, 2011, 2010, and 2009 was \$911,662, \$904,449, and \$873,638, respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a costsharing 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, calling 1-800-878-5853, or going to the website www.ohsers.org under Employers/Audit Resources.

For the fiscal year ended June 30, 2011, 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 2011 was 14 percent of annual covered payroll; 11.81 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. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$195,755, \$149,461, and \$146,167, respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

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, 2011, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 10 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746, calling 1-800-878-5853, or going to the website www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$25,532.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care benefits, including the surcharge, for the fiscal years ended June 30, 2011, 2010, and 2009 were \$49,235, \$93,351, and \$91,651, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, was \$12,597, \$12,332, and \$10,532, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 10 - Postemployment Benefits – (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$70,128, \$69,573, and \$67,203, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

Note 11 - 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-five days and 5 percent of any accrued but unused sick leave credit in excess of forty-five days for certified employees and for a maximum of forty-one days and 5 percent of any accrued but unused sick leave credit in excess of forty-one days for classified employees. In addition, employees will be paid additional days based on twenty-five percent of the difference between maximum sick days earned the last 5 years and the amount used the last 5 years prior to retirement.

B. Health Care Benefits

The District offers medical and dental insurance to most employees through Anthem Blue Cross/Blue Shield. Life insurance is offered through Anthem Life Insurance Company. Vision care is offered through Vision Service Plan. Health care benefits are administered through the Paulding County School Consortium's Employee Insurance Benefits Program (Note 16 B).

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 12 - Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds -					
2001 School Improvement					
Serial Bonds 3 - 5%	\$1,980,000		\$395,000	\$1,585,000	\$400,000
2007 School Refinancing Bonds					
Serial Bonds 3.75 - 4%	2,665,000		10,000	2,655,000	25,000
Capital Appreciation Bonds 10.90%	199,999			199,999	
Capital Appreciation Bond Accretion	64,546	\$29,622		94,168	
Total 2007 School Refinancing Bonds	<u>2,929,545</u>	<u>29,622</u>	<u>10,000</u>	<u>2,949,167</u>	<u>25,000</u>
Total General Obligation Bonds	<u>4,909,545</u>	<u>29,622</u>	<u>405,000</u>	<u>4,534,167</u>	<u>425,000</u>
Energy Conservation Notes - 2.96%		400,000		400,000	80,000
Total Long Term Obligations	<u>\$4,909,545</u>	<u>\$429,622</u>	<u>\$405,000</u>	<u>\$4,934,167</u>	<u>\$505,000</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, 2011
(Continued)**

Note 12 - Long-Term Obligations – (Continued)

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. The refunding will save \$111,011 in interest payments over the life of the debt issue.

Current Interest Bonds maturing on or after December 1, 2018 are subject to redemption at the option of the School District, either in whole or in part, in such order as the District shall determine, on any date on or after December 1, 2017, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The capital appreciation bonds will mature in fiscal year 2015. The maturity amount for the bonds is \$470,000. For fiscal year 2011, \$29,622 was accreted for a total bond value of \$294,167.

The District's overall debt margin was \$9,546,239 with an unvoted debt margin of \$155,403 at June 30, 2011.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011, were as follows:

Fiscal Year End	General Obligation Bonds			
	Serial	Capital Appreciation		
2012	\$425,000	\$169,435		
2013	405,000	151,004		
2014	430,000	131,989		
2015	455,000	111,553		
2016		101,000	\$199,999	\$270,001
2017-2021	2,525,000	259,300		
Totals	\$4,240,000	\$924,281	\$199,999	\$270,001

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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 12 - Long-Term Obligations – (Continued)

Energy Conservation Notes, Series 2011

On March 10, 2011, the District issued \$400,000 Tax Exempt Energy Conservation Notes to fund part of the House Bill 264 Energy Conservation Project. The notes were issued for a five year period by the State Bank and Trust Company to which the payments are made to. One Interest payment was made in June 2011 for \$2,664.

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2011, were as follows:

Fiscal Year End	Energy Conservation Notes	
	Principal	Interest
2012	\$80,000	\$10,656
2013	80,000	8,288
2014	80,000	5,920
2015	80,000	3,552
2016	80,000	1,184
Totals	\$400,000	\$29,600

Note 13 - 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 2011.

	Textbooks	Capital Improvements
Balance June 30, 2010	(\$56,528)	
Current Year Set Aside Requirement	209,198	\$209,198
Qualifying Expenditures	(186,752)	
Offsets		(209,198)
Balance June 30, 2011	(\$34,082)	
Amount Carried Forward to Fiscal Year 2012	(\$34,082)	

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 13 - Set Asides – (Continued)

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

Note 14 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Other Governmental	Total Governmental Funds
Restricted For:			
Debt Retirement		\$347,155	\$347,155
Food Service Operations		247,013	247,013
Scholarships		28,509	28,509
Regular Instruction		10,604	10,604
Building Improvements		255,349	255,349
Facilities Maintenance		456,468	456,468
Athletics		25,960	25,960
Total Restricted		1,371,058	1,371,058
Nonspendable For:			
Scholarships		61,207	61,207
Committed For:			
Permanent Improvements		187,694	187,694
Assigned For:			
Educational Activities	\$123,723		123,723
Permanent Improvements		169,241	169,241
Total Assigned:	123,723	169,241	292,964
Unassigned	4,345,872	(3,766)	4,342,106
Total Fund Balances	\$4,469,595	\$1,785,434	\$6,255,029

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 15 - Jointly Governed Organizations

A. The Educational Regional Services System

The Educational Regional Services System (System) is a jointly governed organization among the school districts located in Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood Counties. House Bill 115 established the System and required the creation of a coordinated, integrated and aligned system to support state and school district efforts to improve school effectiveness and student achievement.

The System is a 16-region system consisting of a State Regional Alliance Advisory Board, an advisory council and 5 specialized subcommittees for each of the 16 regions, a fiscal agent for each region, educational service centers (ESCs), special education regional resource centers (SERRCs), the data acquisition sites (DA sites), and other regional service providers. The 34 member State Regional Alliance Advisory Board is not a policymaking body. Members are to receive no compensation. The Board's duties are to promote communication and coordination among the State Board of Education, the Department of Education (ODE), fiscal agents, advisory councils, and customers of the System. 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 Lucas County Educational Service Center, 2275 Collingwood, Toledo, Ohio 43620.

B. 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 2010, the District paid \$25,848 to the NOACSC for various services. Financial information can be obtained from the Ray Burden, Executive Director, Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

C. 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 Lori Davis, Vantage Career Center Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 16 - Insurance Pools

A. Northwest Ohio Educational Council Insurance Pool Program

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (Program), an insurance purchasing pool. The Program was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The Program is a nonprofit organization 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 nine member Insurance Committee created by the governing board of the Northwest Ohio Educational Council, a Council of Governments created pursuant to Chapter 167.01 of the Ohio Revised Code. The Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing. Financial information for the Program can be obtained from the Paul Brotski, Treasurer of Maumee City School District, 716 Askin Street, Maumee, Ohio 43537.

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"), a Council of Governments, defined as 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, Huntington Financial, concerning aspects of the administration of the Program. Members are Antwerp Local Schools, Paulding Exempted Village Schools and Wayne Trace Local Schools. Monies are paid monthly to Reliance Financial Services, which holds and invests funds for the Consortium and makes payments to Anthem Insurance, which acts as the TPA for administration of the policies.

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 Rob Wannemacher, 4915 U.S. RT. 127, Haviland, Ohio 45851.

Note 17 - Contingencies

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 are 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, 2011.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 18 – Subsequent Events

The District approved the purchase of the Paulding-Putnam Electric warehouse for \$245,000 at the October 18, 2011 Board meeting. The warehouse will be purchased using Permanent Improvement funds and will be used as a bus garage and repair area.

On October 18, 2011, the Board also approved the issuance of bonds in the amount not to exceed \$1,185,000 for the purpose of refunding a portion of the bonds issued in May 2001 for construction of the new Oakwood Elementary School and Paulding Middle School and improvements on Paulding Elementary and Paulding High School. The refunding is estimated to save the District approximately \$69,000 over the next three years.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553	\$56,640	\$56,640
National School Lunch Program			
Cash Assistance	10.555	287,005	287,005
Non- Cash Assistance (Food Distribution)		<u>65,702</u>	<u>65,702</u>
Total National School Lunch Program		352,707	352,707
Special Milk Program For Children - Cash Assistance	10.556	2,643	2,643
Total Child Nutrition Cluster		<u>411,990</u>	<u>411,990</u>
Child and Adult Care Food Program - Cash Assistance	10.558	651	651
Total U.S. Department of Agriculture		<u>412,641</u>	<u>412,641</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	398,491	397,136
ARRA - Special Education Grants to States	84.391	<u>72,683</u>	<u>101,630</u>
Total Special Education Grants to States		471,174	498,766
Special Education Preschool Grants	84.173	<u>32,109</u>	<u>33,641</u>
Total Special Education Cluster		503,283	532,407
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	702,836	762,674
Title II-D Technology Grant	84.318	1,129	1,129
Education Jobs Fund	84.410	178,583	178,338
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	38,035	35,857
<u>Title I Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	273,513	296,123
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>86,450</u>	<u>95,282</u>
Total Title I Cluster		359,963	391,405
Improving Teacher Quality State Grants	84.367	81,813	79,530
Total U.S. Department of Education		<u>1,865,642</u>	<u>1,981,340</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction Grant	20.205	735	735
Totals		<u>\$2,279,018</u>	<u>\$2,394,716</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Paulding Exempted Village School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • 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, the 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 17, 2011, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles and adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 17, 2011.

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 management, the audit committee, Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 17, 2011



Dave Yost • 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, Ohio (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 each of its major federal programs for the year ended June 30, 2011. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2011.


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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.



Dave Yost
Auditor of State

November 17, 2011

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Education Jobs Fund – CFDA #84.410 Title I Cluster – CFDA #84.010, 84.389 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2011-001

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 (B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

For 2011, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's 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 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 FOR FEDERAL AWARDS

None

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (B) – requires the District to prepare its annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as finding 2011-001 in this report.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Paulding Exempted Village School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on February 15, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 17, 2011

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Dave Yost • 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
DECEMBER 6, 2011**