



**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio (the District), as of and for the year ended June 30, 2005, 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.

As further described in Note 3 to the basic financial statements, the District restated its fund balances to account for the implementation of GASB Technical Bulletin 2004-002.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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



**Betty Montgomery**  
Auditor of State

March 15, 2006

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of Paulding Exempted Village School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Key highlights for fiscal year 2005 are as follows:

- The School District renovated a building for a new administration building, which was completed in March 2005. The project was paid from the Permanent Improvement capital projects fund. Additional construction costs associated with the high school, middle school, and two elementary school buildings were also completed during fiscal year 2005 and were paid from the Ohio School Facilities Commission capital projects fund.
- The Board of Education had approved several budget reduction actions for fiscal year 2005 that included the reduction of four teaching positions, one bus driver, one secretary, three teacher aides, and one food service position. The School District also eliminated two activity bus routes.
- The new two-year negotiated agreement with the Paulding Education Association included a pay increase of 3 percent for each year of the agreement and a change in insurance carriers from Medical Mutual of Ohio to Anthem Blue Cross and Blue Shield. The new policy is a full PPO while the old policy was a facility PPO but not a provided PPO.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Paulding Exempted Village School District's financial position.

The statement of net assets and the statement of activities provide information about the activities of the School District as a whole, presenting both an aggregate and a longer-term view of the School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the School District's most significant funds individually and the School District's non-major funds in a single column. The School District's major funds are the General Fund, Bond Retirement debt service fund, and Ohio School Facilities Commission capital projects fund.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors can include changes in the School District's property tax base and the condition of the School District's capital assets. These factors must be considered when assessing the overall health of the School District.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

In the statement of net assets and the statement of activities, all of the School District's activities are reported as governmental activities. All of the School District's programs and services are reported here, including instruction, support services, noninstructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

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

Fund financial statements provide detailed information about the School District's major funds. The School District's major governmental funds are the General Fund, Bond Retirement debt service fund, and Ohio School Facilities Commission capital projects fund. While the School District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The School District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The School District's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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

Notes to the Financial Statements - The notes to the financial statements provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the School District's net assets for fiscal year 2005 and fiscal year 2004.

Table 1  
Net Assets

	Governmental Activities	
	2005	2004
<u>Assets</u>		
Current and Other Assets	\$7,709,367	\$8,873,433
Capital Assets, Net	32,512,485	32,868,928
Total Assets	40,221,852	41,742,361
<u>Liabilities</u>		
Current and Other Liabilities	5,687,066	6,141,205
Long-Term Liabilities	7,448,132	7,630,990
Total Liabilities	13,135,198	13,772,195
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	26,238,588	26,295,031
Restricted	2,022,542	2,525,946
Unrestricted (Deficit)	(1,174,476)	(850,811)
Total Net Assets	\$27,086,654	\$27,970,166

The School District's current and other assets decreased from paying the prior fiscal year's payables for the construction and renovation of instructional buildings and the renovation of the administration building. Current and other liabilities decreased for the same reason.

The decrease in restricted net assets was the result of spending the debt proceeds for the construction of the new buildings and paying for the costs associated with the renovation of the administration building. Unrestricted net assets decreased from spending more than the revenues received during the fiscal year for basic operations.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2005 and fiscal year 2004.

Table 2  
Change in Net Assets

	Governmental Activities	
	2005	2004
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$763,538	\$837,796
Operating Grants, Contributions, And Interest	2,228,429	2,138,491
Capital Grants and Contributions	34,439	66,283
Total Program Revenues	<u>3,026,406</u>	<u>3,042,570</u>
General Revenues		
Property Taxes	4,171,077	3,602,477
Income Taxes	1,544,225	1,520,226
Payment in Lieu of Taxes	11,450	8,010
Grants and Entitlements not Restricted to Specific Programs	7,708,370	7,310,804
Interest	80,858	97,302
Miscellaneous	106,544	60,517
Total General Revenues	<u>13,622,524</u>	<u>12,599,336</u>
Total Revenues	<u>16,648,930</u>	<u>15,641,906</u>
<u>Expenses</u>		
Instruction:		
Regular	8,490,969	8,355,445
Special	1,688,782	1,585,057
Vocational	269,543	247,704
Support Services:		
Pupils	700,166	689,862
Instructional Staff	831,487	952,526
Board of Education	137,783	85,109
Administration	1,385,079	1,392,872
Fiscal	465,675	455,058
Business	78,063	85,127
Operation and Maintenance of Plant	1,145,746	1,025,474
Pupil Transportation	857,722	998,785
Central	11,639	10,226
Noninstructional Services	670,023	781,771
Extracurricular Activities	470,329	530,075
Interest and Fiscal Charges	329,436	370,063
Total Expenses	<u>17,532,442</u>	<u>17,565,154</u>
Decrease in Net Assets	<u>(\$883,512)</u>	<u>(\$1,923,248)</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Program revenues did not change significantly. General revenues increased over 8 percent. The most significant increase was in property taxes. The overall increase in property tax revenue was from new construction. Unrestricted grants and entitlements increased moderately from State foundation revenues.

Overall, total expenses decreased insignificantly. The Board of Education had approved several budget reduction actions which were offset by the new two-year negotiated agreement with the Paulding Education Association. The agreement included a pay increase of 3 percent for each year of the agreement and a change in insurance carriers.

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 revenues and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction:				
Regular	8,490,969	\$8,355,445	\$7,815,390	\$7,595,331
Special	1,688,782	1,585,057	211,792	239,679
Vocational	269,543	247,704	205,355	187,788
Support Services:				
Pupils	700,166	689,862	636,217	584,990
Instructional Staff	831,487	952,526	831,487	952,526
Board of Education	137,783	85,109	137,783	85,109
Administration	1,385,079	1,392,872	1,385,079	1,392,872
Fiscal	465,675	455,058	465,675	455,058
Business	78,063	85,127	78,063	85,127
Operation and Maintenance of Plant	1,145,746	1,025,474	1,138,506	1,018,322
Pupil Transportation	857,722	998,785	817,826	956,236
Central	11,639	10,226	11,639	10,226
Noninstructional Services	670,023	781,771	84,074	176,187
Extracurricular Activities	470,329	530,075	357,714	413,070
Interest and Fiscal Charges	329,436	370,063	329,436	370,063
Total Expenses	<u>\$17,532,442</u>	<u>\$17,565,154</u>	<u>\$14,506,036</u>	<u>\$14,522,584</u>

Overall, the difference between the total cost of services and net costs of services did not change significantly from the prior fiscal year. Revenues plus carryover cash balances supplied 83 percent of resources needed to finance school activities.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

A significant portion of special instruction was funded by State foundation revenues for students in special instruction programs, along with federal grants for special education. Noninstructional services was principally funded by lunchroom charges and operating grants.

**GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the General Fund, Bond Retirement debt service fund, and Ohio School Facilities Commission capital projects fund.

Although the School District attempts to keep operating costs down, the School District's expenditures continue to exceed revenues in the General Fund making it difficult to maintain adequate levels of instruction to students and to maintain and operate the four instructional buildings.

**BUDGETARY HIGHLIGHTS**

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During fiscal year 2005, the School District amended its General Fund budget as needed.

The School District increased their estimated revenues to the actual amount of revenue received during the fiscal year.

During fiscal year 2005, the School District increased appropriations by 4.5 percent. The School District's final appropriations are passed by the Board of Education at the end of the fiscal year to match actual expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of fiscal year 2005, the School District had \$32,512,485 invested in capital assets (net of accumulated depreciation) for governmental activities. Additions to depreciable capital assets included the costs of renovation for the administration building, high school, middle school, two elementary schools, and the purchase of a school bus. During fiscal year 2005, the School District disposed of a school bus. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt - The School District had general obligation bonds outstanding, in the amount of \$6,468,870, which will be repaid from a voted property tax levy of 3.9 mills.

In addition to the debt outlined above, the School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**CURRENT ISSUES**

The School District is in the process of finalizing the Ohio School Facilities Commission project. All documentation has been presented to the Commission for their final approval.

For fiscal year 2006, the School District reduced staffing levels by five teaching personnel, two cafeteria employees, and one bus driver; along with partial cuts in guidance and gifted coordinator positions. In addition, three kindergarten bus routes were eliminated.

**REQUEST FOR INFORMATION**

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

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**Paulding Exempted Village School District  
Paulding County**

Statement of Net Assets  
June 30, 2005

	Governmental Activities
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$2,559,133
Accounts Receivable	17,240
Accrued Interest Receivable	9,032
Intergovernmental Receivable	24,953
Income Taxes Receivable	603,061
Inventory Held for Resale	25,478
Property Taxes Receivable	4,459,731
Loans Receivable	10,739
Nondepreciable Capital Assets	293,585
Depreciable Capital Assets, Net	32,218,900
<i>Total Assets</i>	40,221,852
<b><u>Liabilities</u></b>	
Accrued Wages and Benefits Payable	1,226,976
Accounts Payable	23,014
Intergovernmental Payable	445,660
Accrued Interest Payable	22,880
Deferred Revenue	3,968,536
Long-Term Liabilities	
Due Within One Year	435,061
Due in More Than One Year	7,013,071
<i>Total Liabilities</i>	13,135,198
<b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	26,238,588
Restricted for:	
Debt Service	254,004
Capital Projects	1,310,503
Other Purposes	458,035
Unrestricted (Deficit)	(1,174,476)
<i>Total Net Assets</i>	\$27,086,654

See accompanying notes to the basic financial statements



**Paulding Exempted Village School District  
Paulding County**

Balance Sheet  
Governmental Funds  
June 30, 2005

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total
<b><u>Assets</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$547,772	\$210,329	\$1,129,892	\$671,140	\$2,559,133
Accounts Receivable	492			16,748	17,240
Accrued Interest Receivable	8,902			130	9,032
Interfund Receivable	48,979				48,979
Intergovernmental Receivable	5,457			19,496	24,953
Income Taxes Receivable	603,061				603,061
Inventory Held for Resale				25,478	25,478
Property Taxes Receivable	3,673,280	571,145		215,306	4,459,731
Loans Receivable				10,739	10,739
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$4,887,943</u>	<u>\$781,474</u>	<u>\$1,129,892</u>	<u>\$959,037</u>	<u>\$7,758,346</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b><u>Liabilities</u></b>					
Accrued Wages and Benefits Payable	1,134,344			92,632	1,226,976
Accounts Payable	3		3,000	20,011	23,014
Interfund Payable				48,979	48,979
Intergovernmental Payable	412,667			32,993	445,660
Deferred Revenue	3,497,693	522,320		201,623	4,221,636
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<u>5,044,707</u>	<u>522,320</u>	<u>3,000</u>	<u>396,238</u>	<u>5,966,265</u>
<b><u>Fund Balances</u></b>					
Reserved for Property Taxes	285,285	48,825		18,203	352,313
Reserved for Loans Receivable				7,624	7,624
Reserved for Encumbrances	41,807			26,511	68,318
Unreserved, Reported in					
General Fund (Deficit)	(483,856)				(483,856)
Special Revenue Funds				368,401	368,401
Debt Service Fund		210,329			210,329
Capital Projects Funds			1,126,892	142,060	1,268,952
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances (Deficit)</i>	<u>(156,764)</u>	<u>259,154</u>	<u>1,126,892</u>	<u>562,799</u>	<u>1,792,081</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,887,943</u>	<u>\$781,474</u>	<u>\$1,129,892</u>	<u>\$959,037</u>	<u>\$7,758,346</u>

See accompanying notes to the basic financial statements

**Paulding Exempted Village School District  
Paulding County**

Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2005

*Total Governmental Fund Balances* \$1,792,081

***Amounts reported for governmental activities on the  
statement of net assets are different because of the following:***

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported in the funds. 32,512,485

Other long-term assets are not available to pay for current  
period expenditures and, therefore, are deferred in the funds:

Accrued Interest Receivable	\$2,499	
Intergovernmental Receivable	4,393	
Income Taxes Receivable	107,326	
Property Taxes Receivable	<u>138,882</u>	
		253,100

Some liabilities are not due and payable in the current  
period and, therefore, are not reported in the funds:

Accrued Interest Payable	(22,880)	
General Obligation Bonds Payable	(6,468,870)	
Compensated Absences Payable	<u>(979,262)</u>	
		<u>(7,471,012)</u>

*Net Assets of Governmental Activities* \$27,086,654

See accompanying notes to the basic financial statements

**Paulding Exempted Village School District  
Paulding County**

*Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005*

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total
<b>Revenues</b>					
Property Taxes	\$3,296,203	\$549,793		\$206,848	\$4,052,844
Income Taxes	1,544,130				1,544,130
Payment in Lieu of Taxes	11,450				11,450
Intergovernmental	8,614,557	60,743	\$ 91,738	1,183,889	9,950,927
Interest	52,380		26,391	1,448	80,219
Tuition and Fees	146,932			72,040	218,972
Charges for Services				401,402	401,402
Extracurricular Activities				143,164	143,164
Gifts and Donations				14,762	14,762
Miscellaneous	105,075			1,469	106,544
<i>Total Revenues</i>	<u>13,770,727</u>	<u>610,536</u>	<u>118,129</u>	<u>2,025,022</u>	<u>16,524,414</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	7,392,350			258,240	7,650,590
Special	1,172,014			406,243	1,578,257
Vocational	263,952			3,167	267,119
Support Services:					
Pupils	574,384			109,090	683,474
Instructional Staff	419,161			311,896	731,057
Board of Education	137,783				137,783
Administration	1,174,070			68,420	1,242,490
Fiscal	439,917	17,548		6,614	464,079
Business	77,941				77,941
Operation and Maintenance of Plant	1,118,284			18,435	1,136,719
Pupil Transportation	834,072			5,636	839,708
Central	890			10,749	11,639
Noninstructional Services	531			586,876	587,407
Extracurricular Activities	358,506			101,634	460,140
Capital Outlay			537,658	373,237	910,895
Debt Service:					
Principal Retirement		300,000			300,000
Interest and Fiscal Charges		280,559			280,559
<i>Total Expenditures</i>	<u>13,963,855</u>	<u>598,107</u>	<u>537,658</u>	<u>2,260,237</u>	<u>17,359,857</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(193,128)</u>	<u>12,429</u>	<u>(419,529)</u>	<u>(235,215)</u>	<u>(835,443)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In				51,455	51,455
Transfers Out	(51,455)				(51,455)
<i>Total Other Financing Sources (Uses)</i>	<u>(51,455)</u>			<u>51,455</u>	
<i>Changes in Fund Balances</i>	<u>(244,583)</u>	<u>12,429</u>	<u>(419,529)</u>	<u>(183,760)</u>	<u>(835,443)</u>
<i>Fund Balances at Beginning of Year - Restated (Note 3)</i>	<u>87,819</u>	<u>246,725</u>	<u>1,546,421</u>	<u>746,559</u>	<u>2,627,524</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>(\$156,764)</u>	<u>\$259,154</u>	<u>\$1,126,892</u>	<u>\$562,799</u>	<u>\$1,792,081</u>

See accompanying notes to the basic financial statements

**Paulding Exempted Village School District  
Paulding County**

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005

*Changes in Fund Balances - Total Governmental Funds* (\$835,443)

***Amounts reported for governmental activities on the  
statement of activities are different because of the following:***

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year:

Depreciable Capital Assets	\$966,795	
Depreciation	<u>(1,323,238)</u>	(356,443)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	118,233	
Income Taxes	95	
Intergovernmental	4,393	
Interest	<u>1,795</u>	124,516

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

300,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets.

Annual Accretion	(49,877)	
Accrued Interest Payable	<u>1,000</u>	(48,877)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(67,265)

*Change in Net Assets of Governmental Activities*

(\$883,512)

See accompanying notes to the basic financial statements

**Paulding Exempted Village School District  
Paulding County**

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
General Fund  
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>Revenues</u></b>				
Property Taxes	\$3,172,252	\$3,264,197	\$3,264,197	
Income Taxes	1,479,280	1,563,514	1,563,514	
Payment in Lieu of Taxes	8,010	11,450	11,450	
Intergovernmental	8,461,552	8,633,332	8,633,332	
Interest	25,075	45,108	45,108	
Tuition and Fees	144,942	146,559	146,559	
Miscellaneous	72,495	105,549	105,549	
<i>Total Revenues</i>	<u>13,363,606</u>	<u>13,769,709</u>	<u>13,769,709</u>	
<b><u>Expenditures</u></b>				
Current:				
Instruction:				
Regular	6,233,833	6,409,563	6,409,563	
Special	1,107,061	1,162,711	1,162,711	
Vocational	242,604	263,963	263,963	
Other	868,362	974,709	974,709	
Support Services:				
Pupils	556,833	568,870	568,870	
Instructional Staff	477,406	470,712	470,712	
Board of Education	116,917	137,875	137,875	
Administration	1,220,020	1,186,078	1,186,078	
Fiscal	411,722	436,033	436,033	
Business	87,180	77,549	77,549	
Operation and Maintenance of Plant	995,832	1,141,775	1,141,775	
Pupil Transportation	778,394	859,725	859,725	
Central	1,500	1,000	1,000	
Noninstructional Services	732	9,273	9,273	
Extracurricular Activities	347,899	352,977	352,977	
<i>Total Expenditures</i>	<u>13,446,295</u>	<u>14,052,813</u>	<u>14,052,813</u>	
<i>Excess of Expenditures Over Revenues</i>	<u>(82,689)</u>	<u>(283,104)</u>	<u>(283,104)</u>	
<b><u>Other Financing Sources (Uses)</u></b>				
Advances In	128,599			
Advances out		(48,979)	(48,979)	
Transfers In	2,500	2,500		\$ (2,500)
Transfers Out	(96,476)	(53,955)	(51,455)	2,500
<i>Total Other Financing Sources (Uses)</i>	<u>34,623</u>	<u>(100,434)</u>	<u>(100,434)</u>	
<i>Changes in Fund Balance</i>	(48,066)	(383,538)	(383,538)	
<i>Fund Balance at Beginning of Year</i>	872,889	872,889	872,889	
<i>Prior Year Encumbrances Appropriated</i>	16,166	16,166	16,166	
<i>Fund Balance at End of Year</i>	<u>\$840,989</u>	<u>\$505,517</u>	<u>\$505,517</u>	

See accompanying notes to the basic financial statements

**Paulding Exempted Village School District  
Paulding County**

Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2005

<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$68,939</u>
<b><u>Liabilities</u></b>	
Due to Students	\$67,194
Undistributed Monies	<u>1,745</u>
<i>Total Liabilities</i>	<u>\$68,939</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, 2005**

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

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred seventy-seven square miles. It is located in Paulding County. The School District is the 336th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by eighty-five classified employees, one hundred thirty-one certified teaching personnel, and twelve administrative employees who provide services to 1,758 students and other community members. The School 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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Paulding Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the West Central Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Northwest Ohio Area Computer Services Cooperative, Vantage Career Center, Northwest Ohio Educational Council Insurance Pool Program, and the Paulding County School Consortium's Employee Insurance Benefits Program. These organizations are presented in Notes 20 and 21 to the basic financial statements.

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's major funds are the General Fund, Bond Retirement debt service fund, and Ohio School Facilities Commission capital projects fund.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the high school general obligation bonds.

Ohio School Facilities Commission Fund - This fund is used to account for the receipts and expenditures related to new construction and renovation of the School District's buildings. The project is being funded with local taxes and a grant from the Ohio School Facilities Commission.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2005. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for staff generated revenues for noninstructional activities and various student-managed activities.

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

**E. 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 indicates the projected revenues and expenditures for those funds receiving tax monies. 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 selected by the Board is the fund level for all funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level in all funds are made by the Treasurer.

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

The appropriation 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 appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The Board adopts their final budgeted amounts at the end of the fiscal year to match actual expenditures plus year end encumbrances; therefore, no variances are reflected on the financial statement.

**F. Cash and Investments**

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

During fiscal year 2005, investments were limited to nonnegotiable certificates of deposit, negotiable certificates of deposit, federal agency securities, and STAR Ohio. The School District's investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market price. 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, 2005.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(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 2005 was \$52,380, which includes \$22,645 assigned from other School District funds.

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

**G. Inventory**

Inventory is stated at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of donated and purchased food.

**H. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 years
Buildings	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

**I. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates, depending on department and length of service.

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

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as liabilities on the fund financial statements when due.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School 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, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. The School 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. As of June 30, 2005, the amount of net assets restricted by enabling legislation was \$759,937.

**M. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, loans receivable, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**N. Interfund Transactions**

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type transaction occurred during fiscal year 2005.

**P. Estimates**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Technical Bulletin 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in cost-sharing multiple-employer pension and other postemployment benefit plans.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE –  
(CONTINUED)**

**B. Restatement of Fund Balance**

The restatement due to the implementation of GASB Technical Bulletin 2004-2 had the following effect on fund balance as previously reported.

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Fund Balance June 30, 2004	\$270,206	\$246,725	\$1,546,421	\$808,374	\$2,871,726
GASB Technical Bulletin 2004-2	(182,387)			(61,815)	(244,202)
Adjusted Fund Balance June 30, 2004	<u>\$87,819</u>	<u>\$246,725</u>	<u>\$1,546,421</u>	<u>\$746,559</u>	<u>\$2,627,524</u>

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2005, the General Fund, and the Food Service, Other Grants, Ohio Reads, Summer Intervention, IDEA B, Title I, Handicap Preschool, and Title II A special revenue funds had deficit fund balances of \$156,764, \$24,463, \$462, \$83, \$211, \$5,409, \$3,627, \$685, and \$34,276, respectively, resulting from adjustments for accrued liabilities.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual Comparison for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)**

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	(\$244,583)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received in Cash FY 2005	792,985
Accrued FY 2005, Not Yet Received in Cash	(793,268)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(1,593,520)
Accrued FY 2005, Not Yet Paid in Cash	1,546,783
Advances Out	(48,979)
Unrecorded Cash Activity FY 2004	17
Unrecorded Cash Activity FY 2005	(183)
Change in Fair Value	
End of Fiscal Year 2004	(718)
End of Fiscal Year 2005	149
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(42,221)
Budget Basis	(\$383,538)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

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

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

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

At fiscal year end, the School District had \$460 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$429,270 of the School District's bank balance of \$656,553 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2005, the School District had the following investments.

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Notes	\$99,438	November 10, 2005
Negotiable Certificates of Deposit	98,000	August 24, 2005
STAR Ohio	1,963,835	30.4 Days

The School District's investment policy does not address any restriction on investments relating to credit or custodial credit risks. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The Federal Home Loan Bank notes carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAAM by Standard and Poor's. The negotiable certificates of deposit are insured through the FDIC.

The Federal Home Loan Bank notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name.

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

The following table indicates the percentage of each investment to the total portfolio:

	Carrying and Fair Value	Percentage of Portfolio
Federal Home Loan Bank Notes	\$99,438	4.60%
Negotiable Certificates of Deposit	98,000	4.53

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, property taxes, and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except loans receivable, are expected to be collected within one year.

The Bauer Loan and the Melrose Area Book Scholarship were established in 1958 and 1992, respectively, through contributions from estates. Qualified students may borrow up to \$4,000 to pay for the costs of higher education. Repayments begin twenty-four months after completion of a college program. After six years, the principal begins accruing interest at a rate set by the School District. During fiscal year 2005, principal, in the amount of \$3,115, was repaid. Loans outstanding at June 30, 2005, were \$10,739. Loans receivable, in the amount of \$7,624, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Reimbursement	\$530
Medicaid	4,927
Total General Fund	5,457
Other Governmental Funds	
Summer Intervention	709
Title V	2,464
Drug Free	847
Title II A	11,412
Miscellaneous Federal	4,064
Total Other Governmental Funds	19,496
Total Intergovernmental Receivables	\$24,953

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 8 - INCOME TAXES**

The School 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 9 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, 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 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Paulding County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2005, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 9 - PROPERTY TAXES – (CONTINUED)**

The amount available as an advance at June 30, 2005, was \$285,285 in the General Fund, \$5,684 in the Classroom Facilities Maintenance special revenue fund, \$48,825 in the Bond Retirement debt service fund, and \$12,519 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2004, was \$253,279 in the General Fund, \$5,143 in the Classroom Facilities Maintenance special revenue fund, \$42,930 in the Bond Retirement debt service fund, and \$11,008 in the Permanent Improvement capital projects fund.

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$118,304,480	79.62%	\$124,797,500	85.02%
Public Utility	13,104,060	8.82	13,662,200	9.31
Tangible Personal	17,171,080	11.56	8,325,954	5.67
Total Assessed Value	<u>\$148,579,620</u>	<u>100.00%</u>	<u>\$146,785,654</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$30.80	

**NOTE 10 - PAYMENT IN LIEU OF TAXES**

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$293,585			\$293,585
Depreciable Capital Assets				
Land Improvements	2,148,541			2,148,541
Buildings	34,497,759	\$910,895		35,408,654
Equipment	702,890			702,890
Vehicles	1,342,000	55,900	(\$40,077)	1,357,823
Total Depreciable Capital Assets	38,691,190	966,795	(40,077)	39,617,908
Less Accumulated Depreciation				
Land Improvements	(263,490)	(62,427)		(325,917)
Buildings	(4,668,103)	(1,143,913)		(5,812,016)
Equipment	(104,181)	(54,130)		(158,311)
Vehicles	(1,080,073)	(62,768)	40,077	(1,102,764)
Total Accumulated Depreciation	(6,115,847)	(1,323,238)	40,077	(7,399,008)
Depreciable Capital Assets, Net	32,575,343	(356,443)		32,218,900
Governmental Activities Capital Assets, Net	\$32,868,928	(\$356,443)		\$32,512,485

Depreciation expense was charged to governmental functions as follows:

	Depreciation Expense
Instruction:	
Regular	\$819,332
Special	85,192
Vocational	1,017
Support Services:	
Pupils	19,702
Instructional Staff	97,925
Administration	110,577
Fiscal	14,274
Operation and Maintenance of Plant	13,273
Pupil Transportation	71,299
Noninstructional Services	60,350
Extracurricular Activities	30,297
Total Depreciation Expense	\$1,323,238

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 12 - INTERFUND ASSETS/LIABILITIES**

At June 30, 2005, the General Fund had an interfund receivable, in the amount of \$48,979, from other governmental funds to provide cash flow resources until the receipt of grant monies.

**NOTE 13 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted for the following insurance coverage.

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

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Building and Contents	44,117,934
Automobile Liability	1,000,000

Coverage provided by Ace Insurance Company 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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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School District participates in the Northwest Ohio Educational Council Insurance Pool Program (Program), an insurance purchasing pool consisting of three city school districts, nine 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 School District for its property and liability insurance by virtue of its grouping and representation with other participants in the Program. Upon withdrawal from the Program, a participant is responsible for the payment of all Program liabilities.

The School 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 Program provides medical and dental benefits up to a maximum of \$75,000 per employee per year. Upon withdrawal from the Program, a participant is responsible for the payment of all Program liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

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

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School 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.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003, was \$906,738, \$868,666, and \$892,219, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$4,315 made by the School District and \$4,313 made by plan members.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

**B. School Employees Retirement System**

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, was \$194,948, \$172,944, and \$173,450, respectively; 42 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

**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, 2005, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$70,081.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 15 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$91,333 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 16 - 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-two days and 5 percent of any accrued but unused sick leave credit in excess of forty-two days for certified employees and for a maximum of forty days and 5 percent of any accrued but unused sick leave credit in excess of forty days for classified employees.

Administrators are eligible for severance based on number of years of service with a maximum of 50 days plus 19 percent of the accumulated days above 50.

**B. Health Care Benefits**

The School District offers medical and dental insurance to qualifying employees through the Paulding County School Council's Employee Insurance Benefits Program. Life insurance is offered through Medical Life Insurance Company. Vision care is offered through Vision Service Plan.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3 - 5%	\$6,200,000		\$300,000	\$5,900,000	\$325,000
Capital Appreciation Bonds 9.39%	373,897			373,897	
	6,573,897		300,000	6,273,897	325,000
Capital Appreciation Bond Accretion	145,096	\$49,877		194,973	
Total General Obligation Bonds	6,718,993	49,877	300,000	6,468,870	325,000
Compensated Absences Payable	911,997	107,343	40,078	979,262	110,061
Total Governmental Activities Long-Term Obligations	\$7,630,990	\$157,220	\$340,078	\$7,448,132	\$435,061

School Improvement General Obligation Bonds - On May 31, 2001, the School 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 School District, either in whole or in part, in such order as the School 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

The capital appreciation bonds will mature in fiscal years 2008 and 2009. The maturity amount for the bonds is \$710,000. For fiscal year 2005, \$49,877 was accreted for a total bond value of \$568,870.

Compensated absences will be paid from the General Fund and Food Service special revenue fund.

The School District's overall debt margin was \$7,195,966 with an unvoted debt margin of \$146,786 at June 30, 2005.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)**

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2005, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2006	\$325,000	\$267,855		
2007	320,000	254,993		
2008		248,832	\$195,520	\$159,480
2009		248,833	178,377	176,623
2010	350,000	241,395		
2011-2015	1,980,000	950,906		
2016-2020	2,375,000	443,245		
2021	550,000	13,750		
Totals	<u>\$5,900,000</u>	<u>\$2,669,809</u>	<u>\$373,897</u>	<u>\$336,103</u>

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

**NOTE 18 - SET ASIDES**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	(\$206,986)	
Current Year Set Aside Requirement	242,694	\$242,694
Qualifying Expenditures	(183,178)	(54,277)
Offsets		(188,417)
Balance June 30, 2005	<u>(\$147,470)</u>	<u></u>
Amount Carried Forward to Fiscal Year 2006	<u>(\$147,470)</u>	<u></u>

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 19 - INTERFUND TRANSFERS**

During fiscal year 2005, the General Fund made transfers to other governmental funds, in the amount of \$51,455, to subsidize activities in other funds.

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

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

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

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

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

The School 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 2005, the School District paid \$7,945 to the NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)**

**D. Vantage Career Center**

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

**NOTE 21 - INSURANCE POOLS**

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

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

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

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

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 William Shugars, 405 North Water Street, Paulding, Ohio, 45879.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 School District at June 30, 2005.

**B. Litigation**

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Donation Program		10.550
School Breakfast Program		10.553
National School Lunch Program		10.555
Special Milk Program		10.556
Child and Adult Care Meal Program		10.558
Total U.S. Department of Agriculture - Nutrition Cluster		
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education Grants to States	6B-SF-04	84.027
	6B-PB/SF-05	84.027
<i>Total Special Education Grants to States</i>		
Special Education - Preschool Grant	PG-S1-04	84.173
	PG-S1-05	84.173
<i>Total Special Education - Preschool Grant</i>		
Total Special Education Cluster		
Title I Grants to Local Educational Agencies	CS-S1-04	84.010
	CS-S1-05	84.010
<i>Total Title I Grants to Local Educational Agencies</i>		
Safe and Drug Free Schools and Communities State Grant	DR-S1-04	84.186
	DR-S1-05	84.186
<i>Total Safe and Drug Free Schools and Communities State Grant</i>		
Innovative Education Program Strategies	C2-S1-05	84.298
Education Technology State Grants	TJ-S1-04	84.318
	TJ-S1-05	84.318
<i>Total Education Technology State Grants</i>		

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$ 41,968		\$ 41,968
\$ 11,335		\$ 11,335	
162,132		162,132	
4,741		4,741	
1,585		1,585	
<b>179,793</b>	<b>41,968</b>	<b>179,793</b>	<b>41,968</b>
-		2,830	
421,060		387,323	
421,060		390,153	
		395	
39,300		36,114	
39,300		36,509	
460,360		426,662	
251,653		229,458	
251,653		229,458	
(1,439) *		5,406	
6,607		5,406	
5,168		5,406	
7,500		11,364	
(324) *		7,081	
5,348		7,081	
5,024		7,081	

(Continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>		
Improving Teacher Quality State Grants	TR-S1-04	84.367
	TR-S1-05	84.367
Total Improving Teacher Quality State Grants		
Total Department of Education		
<b>U.S. DEPARTMENT OF HUMAN SERVICES</b> <i>Passed Through Ohio Department of MRDD:</i>		
State Childrens Insurance Program (SCHIP)		93.767
Medical Assistance Program (CAFS)		97.778
Totals Department of Human Services		
<b>Totals</b>		

\* negative receipt indicate a "transfer" between grant years (prior to current) as allowed by the Ohio Department of Education, this transaction is shown as a negative receipt in the prior grant year and a positive receipt in the current grant year

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
(4,414) *		7,322	
<u>35,682</u>		<u>79,556</u>	
<u>31,268</u>		<u>86,878</u>	
<b><u>760,973</u></b>		<b><u>766,849</u></b>	
1,799		1,799	
<u>38,067</u>		<u>38,067</u>	
<u>39,866</u>		<u>39,866</u>	
<b><u>\$ 980,632</u></b>	<b><u>\$ 41,968</u></b>	<b><u>\$ 986,508</u></b>	<b><u>\$ 41,968</u></b>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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

**NOTE C - MATCHING REQUIREMENTS**

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



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2006, in which we noted the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-02. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 15, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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

Paulding Exempted Village School District  
Paulding County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 15, 2006, we reported another matter related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 15, 2006



**Auditor of State  
Betty Montgomery**

**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 its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Paulding Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

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

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

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



**Betty Montgomery**  
Auditor of State

March 15, 2006

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
OMG CIRCULAR A-133 § .505  
JUNE 30, 2005**

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

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

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

None

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

None





**Auditor of State  
Betty Montgomery**

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**

**PAULDING COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 6, 2006**