



**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, (the District) as of and for the year ended June 30, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 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 as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board Statement number 34, "Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments and as described in Note 10, changed its method of accounting for capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

The accompanying federal awards receipts and expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 25, 2004

**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

The discussion and analysis of the Paulding Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$1,744,291 an increase of 6.20 percent. This increase is largely due to funding from the Ohio School Facilities Commission.
- General revenues accounted for \$15,859,986 in revenue or 90.46 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,672,112 or 9.54 percent of total revenues of \$17,532,098.
- The District had \$15,787,807 in expenses related to governmental activities; only \$1,672,112 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,859,986 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and construction fund. The general fund had \$13,025,945 in revenues and other financing sources and \$13,028,025 in expenditures and other financing uses. During fiscal 2003, the general fund's fund balance, decreased \$2,080 from \$421,408 to \$419,328.
- The construction fund had \$14,322,424 in revenues and \$19,009,650 in expenditures. During fiscal 2003, the construction fund's fund balance decreased \$4,687,226 from \$11,397,657 to \$6,710,431.

**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and construction fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds is included later in this discussion. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and construction fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

The table below provides a summary of the District's net assets for 2003.

Net Assets	Governmental Activities 2003
Assets	
Current and other assets	\$ 19,403,365
Capital assets	26,316,094
<i>Total assets</i>	45,719,459
Liabilities	
Current liabilities	8,034,330
Long-term liabilities	7,791,715
<i>Total liabilities</i>	15,826,045
Net Assets	
Invested in capital assets, net of related debt	26,595,119
Restricted	3,095,589
Unrestricted	202,706
<i>Total net assets</i>	\$ 29,893,414

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$29,893,414. At year-end, unrestricted net assets were \$202,706.

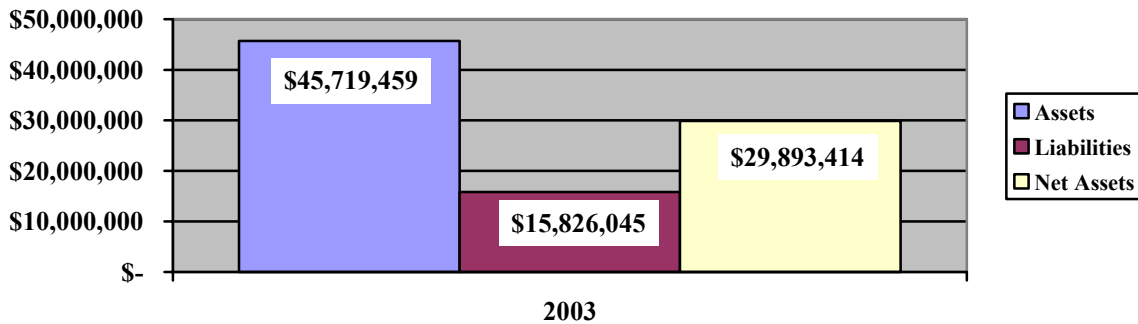
At year-end, capital assets represented 57.56 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2003, were \$26,595,119. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

A portion of the District's net assets, \$3,095,589, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$202,706 may be used to meet the District's ongoing obligations to the students and creditors.

Net Assets



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2003
Revenues	
Program Revenues:	
Charges for services and sales	\$ 601,404
Operating grants and contributions	1,012,222
Capital grants and contributions	58,486
General Revenues:	
Property taxes	3,910,192
Income taxes	1,498,936
Grants and entitlements	10,094,269
Gifts and donations	25,000
Investment earnings	256,622
Miscellaneous	73,859
Transfers	1,108
<i>Total revenues</i>	\$ 17,532,098

**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Expenses	
Program Expenses	
Instruction:	
Regular	\$ 6,448,507
Special	1,295,597
Vocational	239,871
Other	667,762
Support Services:	
Pupil	669,882
Instructional staff	701,104
Board of education	144,266
Administration	1,770,017
Fiscal	429,167
Business	75,415
Operation and maintenance	968,386
Pupil transportation	880,971
Central	10,800
Operation of non-instructional services	6,678
Food service operations	596,322
School supplies	73,703
Extracurricular Activities	465,679
Interest and fiscal charges	343,680
<i>Total expenses</i>	<u>15,787,807</u>
<i>Increase in net assets</i>	<u>\$ 1,744,291</u>

Governmental Activities

Net assets of the District's governmental activities increased by \$1,744,291. Total governmental expenses of \$15,787,707 were offset by program revenues of \$1,672,112 and general revenues of \$15,859,986. Program revenues supported 10.60 percent of the total governmental expenses.

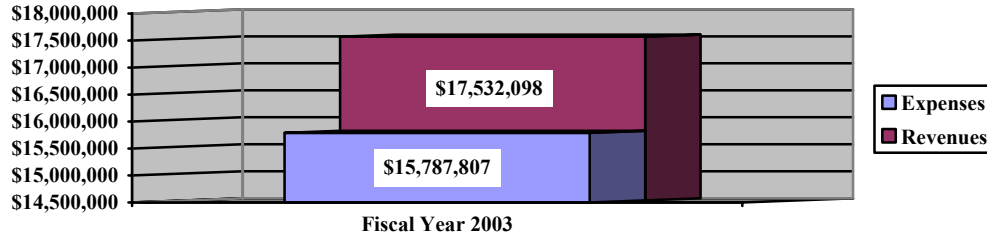
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 88.43 percent of total governmental revenue. Real estate property is reappraised every six years

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities		
	Total Cost of Services 2003	Net Cost of Services 2003
Program expenses		
Instruction:		
Regular	\$ 6,448,507	\$ 6,251,665
Special	1,295,597	1,062,913
Vocational	239,871	193,794
Other	667,762	666,240
Support services:		
Pupil	669,882	602,238
Instructional staff	701,104	437,323
Board of education	144,266	144,266
Administration	1,770,017	1,701,889
Fiscal	429,167	429,167
Business	75,415	75,415
Operations and maintenance	968,386	968,386
Pupil transportation	880,971	823,458
Central	10,800	1,059

(Continued)

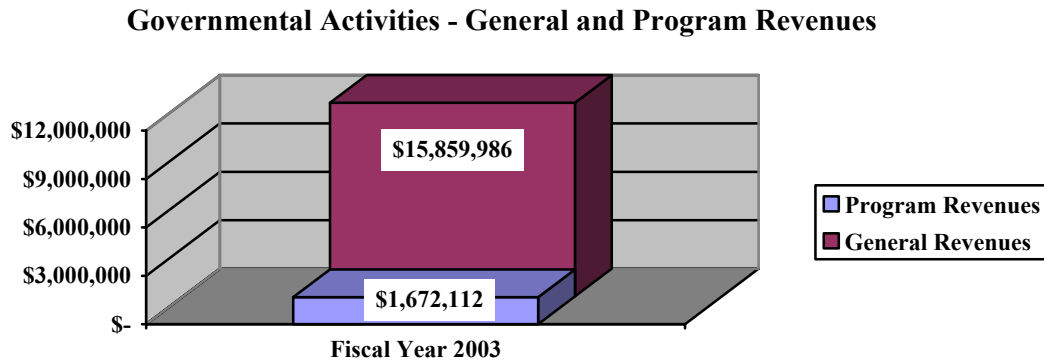
**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Activities (Continued)		
	Total Cost of Services 2003	Net Cost of Services 2003
Operations of non-instructional services	6,678	6,678
Food service operations	596,322	107,959
School Supplies	73,703	16,985
Extracurricular activities	465,679	282,580
Interest and fiscal charges	343,680	343,680
<i>Total expenses</i>	<u>\$ 15,787,807</u>	<u>\$ 14,115,695</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 94.49 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.41 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.



The District's Funds

The District's governmental funds, as presented on the balance sheet, reported a combined fund balance of \$8,751,498, which is lower than last year's total of \$13,307,340. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	Fund Balance <u>June 30, 2003</u>	Fund Balance <u>June 30, 2002</u>	Increase (Decrease)
General	\$ 419,328	\$ 421,408	\$ (2,080)
Construction	6,710,431	11,397,657	(4,687,226)
Other Governmental	<u>1,621,739</u>	<u>1,488,275</u>	<u>133,464</u>
Total	<u>\$ 8,751,498</u>	<u>\$ 13,307,340</u>	<u>\$ (4,555,842)</u>

General Fund

The District's general fund's fund balance decreased by \$2,080. The decrease in fund balance can be attributed to expenses increasing slightly more than revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2003 <u>Amount</u>	Restated 2002 <u>Amount</u>	<u>Percentage Change</u>
Revenues			
Taxes	\$ 4,628,545	\$ 4,524,755	2.29 %
Tuition	9,314	22,753	(59.06) %
Earnings on investments	64,754	117,055	(44.68) %
Intergovernmental	8,246,973	7,862,348	4.89 %
Other revenues	<u>25,887</u>	<u>30,663</u>	(15.58) %
<i>Total</i>	<u>\$ 12,975,473</u>	<u>\$ 12,557,574</u>	3.33 %
Expenditures			
Instruction	\$ 8,153,586	\$ 7,906,001	3.13 %
Support services	4,467,557	4,372,643	2.17 %
Operation of non-instructional services	478	1,180	(59.49) %
Extracurricular activities	<u>315,726</u>	<u>320,867</u>	(1.60) %
<i>Total</i>	<u>\$ 12,937,347</u>	<u>\$ 12,600,691</u>	2.67 %

**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Construction Fund

The District's construction fund's fund balance decreased by \$4,687,226 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The decrease in fund balance can be attributed to an increase in capital outlay expense.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2003, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues were \$13,017,009, which approximates the original budgeted revenues estimate of \$12,952,875. Actual revenues and other financing sources for fiscal 2003 was \$13,017,009, this equals final budgeted revenues.

General fund original budgeted appropriations were \$13,112,338 and final budgeted appropriations (appropriated expenditures plus other financing uses) were \$13,082,645. The actual budget basis expenditures and other financing uses for fiscal year 2003 were equal to the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$26,316,094 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (CIP). For further information regarding the District's capital assets see, Note 10 to the basic financial statements.

Debt Administration

At June 30, 2003, the District had \$6,913,619 in general obligation bonds. The remaining outstanding long term general obligations are related to compensated absences. For further information regarding the District's long-term obligations, see Note 16 to the basic financial statements.

**PAULDING EXEMPTED VILLAGE SCHOOLS
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements, property taxes and income taxes. Real property tax collections are expected to increase slightly due to an increase in the Districts assessed valuation. Personal tangible property tax collections are expected to continue to decline due to provisions of House Bill 95 which will accelerate of the elimination of the inventory tax and eliminate the filing requirement of personal property tax returns for business with less than \$10,000 in personal property. Fluctuations in income tax will depend on the national, state and local economy.

Since the District relies on the State for approximately 60 percent of the general operating revenues, one of the largest challenges facing the District is that of state funding. The State of Ohio was found by the Supreme Court in March 1997 to be operating unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Another challenge facing the District is the decline in enrollment over the past several years, especially if these declines continue. The District has lost approximately 100 students over the last three years. When these students leave, the State funding is also decreased. In addition, House Bill 95 eliminated the three year average which allowed the District to manage a decline in enrollment.

The final challenge for the District's Management is to continue to provide the resources necessary to meet student needs and be able to stay within the five-year forecast. The five-year forecast is utilized by management in order to effectively and efficiently manage the District's resources to their fullest.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. James Durre, Treasurer, Paulding Exempted Village School District, 405 North Water Street, Paulding, Ohio 45879-1251.

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2003**

	<u>Governmental Activities</u>
Assets	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 11,285,050
Cash with Escrow Agent	461,999
Materials and Supplies Inventory	20,034
Accounts Receivable	4,760
Intergovernmental Receivable	2,756,401
Prepaid Items	1,041
Taxes Receivable	4,858,651
Notes Receivable	15,429
Noncurrent Assets	
Non-Depreciable Capital Assets	293,585
Depreciable Capital Assets, net	26,022,509
	<u>45,719,459</u>
<i>Total Assets</i>	
Liabilities	
Current Liabilities	
Accounts Payable	2,429,583
Accrued Wages and Benefits	1,196,242
Retainage Payable	461,999
Intergovernmental Payable	292,311
Deferred Revenue	3,654,195
Long-Term Liabilities	
Due Within One Year	301,278
Due in More Than One Year	7,490,437
	<u>15,826,045</u>
<i>Total Liabilities</i>	
Net Assets	
Invested in Capital Assets, Net of Related Debt	26,595,119
Restricted for Debt Service	215,964
Restricted for Capital Outlay	2,587,244
Restricted for Other Purposes	292,381
Unrestricted	202,706
	<u>29,893,414</u>
<i>Total Net Assets</i>	<u>\$ 29,893,414</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
		<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities					
Instruction:					
Regular	\$ 6,448,507	\$ 9,314	\$ 187,528	\$ -	\$ (6,251,665)
Special	1,295,597	-	232,684	-	(1,062,913)
Vocational	239,871	-	45,104	973	(193,794)
Other	667,762	-	1,522	-	(666,240)
Support Services:					
Pupils	669,882	-	67,644	-	(602,238)
Instructional Staff	701,104	-	263,781	-	(437,323)
Board of Education	144,266	-	-	-	(144,266)
Administration	1,770,017	-	68,128	-	(1,701,889)
Fiscal	429,167	-	-	-	(429,167)
Business	75,415	-	-	-	(75,415)
Operation and Maintenance of Plant	968,386	-	-	-	(968,386)
Pupil Transportation	880,971	-	-	57,513	(823,458)
Central	10,800	-	9,741	-	(1,059)
Operation of Non-Instructional Services	6,678	-	-	-	(6,678)
Extracurricular Activities	465,679	183,099	-	-	(282,580)
Interest and Fiscal Charges	343,680	-	-	-	(343,680)
Food Service	596,322	352,273	136,090	-	(107,959)
School Supplies	73,703	56,718	-	-	(16,985)
<i>Total Governmental Activities</i>	<u>\$ 15,787,807</u>	<u>\$ 601,404</u>	<u>\$ 1,012,222</u>	<u>\$ 58,486</u>	<u>(14,115,695)</u>
General Revenues					
Taxes					
Property and Other Local Taxes					3,910,192
Income Taxes					1,498,936
Grants and Entitlements not Restricted to Specific Programs					10,094,269
Gifts and Donations					25,000
Investment Earnings					256,622
Miscellaneous					73,859
Transfers					1,108
<i>Total General Revenues</i>					<u>15,859,986</u>
Change in Net Assets					1,744,291
<i>Net Assets Beginning of Year</i>					<u>28,149,123</u>
<i>Net Assets End of Year</i>					<u>\$ 29,893,414</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2003**

	General Fund	Construction Fund - State Share	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 932,150	\$ 8,717,202	\$ 1,635,698	\$ 11,285,050
Cash with Fiscal Agent	-	461,999	-	461,999
Accounts Receivable	4,206	-	554	4,760
Due From Other Funds	128,599	-	-	128,599
Intergovernmental Receivable	-	2,610,122	146,279	2,756,401
Prepaid Items	1,041	-	-	1,041
Materials and Supplies Inventory	-	-	20,034	20,034
Taxes Receivable	4,080,944	-	777,707	4,858,651
Notes Receivable	-	-	15,429	15,429
<i>Total Assets</i>	<u>\$ 5,146,940</u>	<u>\$ 11,789,323</u>	<u>\$ 2,595,701</u>	<u>\$ 19,531,964</u>
Liabilities				
Accounts Payable	\$ 988	\$ 2,427,353	\$ 1,242	\$ 2,429,583
Accrued Wages and Benefits	1,106,625	-	74,226	1,180,851
Retainage Payable	-	461,999	-	461,999
Due to Other Funds	-	-	128,599	128,599
Intergovernmental Payable	255,360	-	14,742	270,102
Deferred Revenue	3,364,639	2,189,540	755,153	6,309,332
<i>Total Liabilities</i>	<u>4,727,612</u>	<u>5,078,892</u>	<u>973,962</u>	<u>10,780,466</u>
Fund Balances				
Reserved:				
For Encumbrances	38,315	187,381	57,664	283,360
For Prepaid Items	1,041	-	-	1,041
For Property Taxes	229,410	-	-	229,410
Unreserved, Undesignated, Reported in:				
General Fund	150,562	-	-	150,562
Special Revenue Funds	-	-	220,814	220,814
Debt Service Funds	-	-	215,964	215,964
Capital Projects Funds	-	6,523,050	1,127,297	7,650,347
<i>Total Fund Balances</i>	<u>419,328</u>	<u>6,710,431</u>	<u>1,621,739</u>	<u>8,751,498</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,146,940</u>	<u>\$ 11,789,323</u>	<u>\$ 2,595,701</u>	<u>\$ 19,531,964</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
AS OF JUNE 30, 2003

Total Governmental Fund Balances		\$ 8,751,498
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,316,094
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Intergovernmental Receivable		30,868
Ohio School Facilities Receivable		2,189,540
Property Taxes		340,220
Income Taxes		94,509
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	\$ (6,824,000)	
Capital Appreciation Bonds - Accreted Interest	(89,619)	
Intergovernmental Payable	(22,209)	
Compensated Absences	(893,487)	
	(7,829,315)	(7,829,315)
 <i>Net Assets of Governmental Activities</i>		 <u><u>\$ 29,893,414</u></u>

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 YEAR ENDED JUNE 30, 2003**

	General Fund	OSFC Construction Fund - State Share	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 3,138,670	\$ -	\$ 741,978	\$ 3,880,648
Income Tax	1,489,875	-	-	1,489,875
Intergovernmental	8,246,973	14,131,379	1,028,294	23,406,646
Interest	64,754	191,045	823	256,622
Tuition and Fees	9,314	-	-	9,314
Extracurricular Activities	-	-	160,015	160,015
Gifts and Donations	-	-	25,000	25,000
Customer Sales and Services	-	-	432,075	432,075
Miscellaneous	25,887	-	-	25,887
<i>Total Revenues</i>	<u>12,975,473</u>	<u>14,322,424</u>	<u>2,388,185</u>	<u>29,686,082</u>
Expenditures				
Current:				
Instruction:				
Regular	6,158,476	-	250,835	6,409,311
Special	1,089,134	-	232,480	1,321,614
Vocational	238,920	-	-	238,920
Other	667,056	-	706	667,762
Support Services:				
Pupils	562,602	-	107,782	670,384
Instructional Staff	437,514	-	266,915	704,429
Board of Education	144,266	-	-	144,266
Administration	1,168,562	-	69,442	1,238,004
Fiscal	393,799	-	24,973	418,772
Business	72,433	-	-	72,433
Operation and Maintenance of Plant	932,325	-	-	932,325
Pupil Transportation	755,047	-	3,833	758,880
Central	1,009	-	9,791	10,800
Operation of Non-Instructional Services	478	-	6,200	6,678
Extracurricular Activities	315,726	-	120,346	436,072
Food Service	-	-	642,000	642,000
School Supplies	-	-	74,119	74,119
Capital Outlay	-	19,009,650	766	19,010,416
Debt Service				
Principal	-	-	235,000	235,000
Interest	-	-	298,819	298,819
<i>Total Expenditures</i>	<u>12,937,347</u>	<u>19,009,650</u>	<u>2,344,007</u>	<u>34,291,004</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>38,126</u>	<u>(4,687,226)</u>	<u>44,178</u>	<u>(4,604,922)</u>
Other Financing Sources and Uses				
Transfers In	2,500	-	93,827	96,327
Proceeds from Sale of Fixed Assets	47,972	-	-	47,972
Transfers Out	(90,678)	-	(4,541)	(95,219)
<i>Total Other Financing Sources and Uses</i>	<u>(40,206)</u>	<u>-</u>	<u>89,286</u>	<u>49,080</u>
<i>Net Change in Fund Balances</i>	<u>(2,080)</u>	<u>(4,687,226)</u>	<u>133,464</u>	<u>(4,555,842)</u>
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>421,408</u>	<u>11,397,657</u>	<u>1,488,275</u>	<u>13,307,340</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 419,328</u>	<u>\$ 6,710,431</u>	<u>\$ 1,621,739</u>	<u>\$ 8,751,498</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (4,555,842)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in 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 capital outlays exceeded depreciation in the current period.

Capital Outlay - Depreciable Capital Asset	\$ 19,062,640	
Depreciation	(300,273)	
		18,762,367

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (503,887)

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

Intergovernmental		30,868
Ohio School Facilities Commission Revenues		(12,218,600)
Property Taxes		29,544
Income Taxes		9,061

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 235,000

Increases in capital appreciation bonds are recorded as interest and fiscal charges in the statement of net assets but are not reported in the governmental funds. (44,861)

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Intergovernmental Payable		(6,783)
Compensated absences		7,424

Change in Net Assets of Governmental Activities \$ 1,744,291

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL COMPARISON
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property and Other Local Taxes	\$ 3,154,947	\$ 3,138,467	\$ 3,138,467	\$ -
Income Tax	1,594,505	1,489,875	1,489,875	-
Intergovernmental	7,983,773	8,188,395	8,188,395	-
Interest	120,000	64,754	64,754	-
Tuition and Fees	13,500	9,319	9,319	-
Miscellaneous	50,513	25,275	25,275	-
<i>Total Revenues</i>	<u>12,917,238</u>	<u>12,916,085</u>	<u>12,916,085</u>	<u>-</u>
Expenditures				
Current:				
Instruction:				
Regular	6,154,452	6,166,040	6,166,040	-
Special	1,108,121	1,082,925	1,082,925	-
Vocational	241,608	238,019	238,019	-
Other	708,624	674,379	674,379	-
Support Services:				
Pupils	584,688	559,372	559,372	-
Instructional Staff	567,699	435,002	435,002	-
Board of Education	150,803	150,583	150,583	-
Administration	1,164,601	1,143,320	1,143,320	-
Fiscal	384,483	392,795	392,795	-
Business	70,154	72,424	72,424	-
Operation and Maintenance of Plant	908,849	930,191	930,191	-
Pupil Transportation	683,041	698,812	698,812	-
Central	3,000	1,000	1,000	-
Operation of Non-Instructional Services:				
Food Service Operations	1,218	478	478	-
Extracurricular Activities:				
Academic Oriented Activities	300	35	35	-
Sport Oriented Activities	330,697	317,993	317,993	-
<i>Total Expenditures</i>	<u>13,062,338</u>	<u>12,863,368</u>	<u>12,863,368</u>	<u>-</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(145,100)</u>	<u>52,717</u>	<u>52,717</u>	<u>-</u>
Other Financing Sources and Uses				
Proceeds from Sale of Fixed Assets	1,500	47,972	47,972	-
Refund of Prior Year Expenditures	-	18,815	18,815	-
Advances In	34,137	34,137	34,137	-
Transfers Out	(50,000)	(90,678)	(90,678)	-
Advances Out	-	(128,599)	(128,599)	-
<i>Total Other Financing Sources and Uses</i>	<u>(14,363)</u>	<u>(118,353)</u>	<u>(118,353)</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(159,463)</u>	<u>(65,636)</u>	<u>(65,636)</u>	<u>-</u>
<i>Fund Balance (Deficit) at Beginning of Year</i>	894,735	894,735	894,735	-
Prior Year Encumbrances Appropriated	32,785	32,785	32,785	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 768,057</u>	<u>\$ 861,884</u>	<u>\$ 861,884</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**STATEMENT OF NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2003**

	<u>Agency Fund</u>
Assets	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 77,738</u>
<i>Total Assets</i>	<u>77,738</u>
Liabilities	
Current Liabilities	
Accounts Payable	87
Due to Students	<u>77,651</u>
<i>Total Liabilities</i>	<u>\$ 77,738</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1884. The School District serves an area of approximately one hundred seventy-seven square miles. It is located in Paulding County and includes all of Paulding Township, portions of Crane, Emerald, Auglaize, Jackson, Brown and Washington Townships, and the Villages of Paulding, Oakwood, Cecil and Melrose. The School District is the 149th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 90 classified employees, 230 certified teaching personnel, and twelve administrative employees who provide services to 1,851 students and other community members. The School District currently operates nine instructional/support buildings.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that 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, preschool and student related activities of the School District.

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

The School District is associated with three jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, Paulding County School Council, Paulding County School Council Employee Insurance Benefits Program, and the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide 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 year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program 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 and contributions 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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the 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 financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Proprietary and fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds focus 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 following are the School District's major governmental funds:

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 is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects of the School District whose uses are restricted to a particular purpose.

PROPRIETARY FUND

The proprietary fund focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise or internal service funds.

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. The School District's only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the 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.

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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

Agency funds do not report a measurement focus as they do not report operations.

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 bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

Deferred Revenue

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

Property taxes (other than delinquent amounts) for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been 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 have been reported as deferred revenue.

Expenditures/Expenses

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

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2003, investments included federal securities, commercial paper, STAR Ohio, and certificates of deposit. Non-negotiable certificates of deposit are reported at cost.

Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as repurchase agreements are reported at cost. The School District invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

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, 2003.

As authorized by 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 and Capital Projects funds during fiscal year 2003 amounted to \$64,754 and \$191,045, respectively.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year which services are consumed.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories for governmental funds are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess 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. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets, other than land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Building Improvements	15 – 50 years
Furniture and Fixtures	5-20 years
Vehicles	5 – 10 years
Equipment	5 - 25 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in 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 that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "accrued wages and benefits" in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in 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, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

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 balances of any borrowings 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.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods.

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Fund equity reserves have been established for encumbrances, property taxes and prepaids.

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

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. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

P. 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 the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2003.

3. CHANGES IN ACCOUNTING PRINCIPLES, RESTATEMENT OF FUND BALANCE, AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2003, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments"; GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB No. 38, "Certain Financial Statement Note Disclosures," GASB Statement No. 41 "Budgetary Comparison Schedule – Perspective Differences", and GASB Interpretation No. 6,

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“Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38, and 41.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 2003.

The government-wide financial statements show the District’s programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance

Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as enterprise funds and expendable trust funds have been reclassified and are now included as a component of other nonmajor governmental funds. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

B. Restatement of Fund Balance

The fund reclassification and the implementation of GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the governmental funds of the School District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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	General	OSFC Construction	Non-Major Governmental Funds	Total Governmental Activities
Fund Balance June 30, 2002	\$ 442,864	\$ 11,397,657	\$ 1,462,307	\$ 13,302,828
Fund Reclassifications			25,968	25,968
Interpretation 6 Adjustments:				
Compensated Absences Payable	(21,456)	-	-	(21,456)
Adjusted Fund Balance	<u>\$ 421,408</u>	<u>\$ 11,397,657</u>	<u>\$ 1,488,275</u>	<u>13,307,340</u>
GASB 34 Adjustments:				
Capital Assets				8,057,614
Long-Term Liabilities				(8,196,801)
Long-term (Deferred) Assets				14,980,970
Governmental Activities Net Assets, June 30, 2002				<u>\$ 28,149,123</u>

4. 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 Basis) and Actual presented 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 fund financial statements are the following:

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/expenses (budget basis) rather than as a reservation of fund balance (GAAP basis).

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

	General
GAAP Basis	\$ (2,080)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2002, received in cash FY 2003	718,327
Accrued FY 2003, not yet received in cash	(777,715)
Expenditure Accruals:	
Accrued FY 2002, paid in cash FY 2003	(1,282,468)
Accrued FY 2003, not yet paid in cash	1,395,752
Net Adjustments for other sources/uses	(78,147)
Encumbrances outstanding at year end (budget basis)	(39,305)
Budget Basis	\$ (65,636)

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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JUNE 30, 2003

(Continued)

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

Interim monies may be 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

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

At year end \$461,999 was on deposit in the District's escrow account. This amount is included in the total amount of deposits reported below and is reported on the combined balance sheet as "Cash with Fiscal Agent."

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

At fiscal year end, the carrying amount of the School District's deposits was \$2,456,740 and the bank balance was \$2,842,394. Of the bank balance, \$148,727 was covered by federal depository insurance and remainder was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to § 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

The School District's investments in STAR Ohio are unclassified because they are not evidenced by securities that exist in physical or book entry form.

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JUNE 30, 2003
(Continued)

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of cash and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 11,824,787	\$ -
Investments:		
STAR Ohio	(9,368,047)	9,368,047
GASB Statement 3	\$ 2,456,740	\$ 9,368,047

6. 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 collections 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, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes for 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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(Continued)

Public utility real and tangible personal property taxes for 2003 were levied after April 1, 2003, on the assessed values as of December 31, 2002, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes for 2003 were levied after April 1, 2002, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2003 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amounts available as an advance at June 30, 2003, were \$229,410 in the General Fund. The amounts available as an advance at June 30, 2002, were \$251,791 in the General Fund and \$25,179 in the Debt Service Fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second-Half Collections		2003 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 114,084,860	78.72%	\$ 116,601,300	79.73%
Public Utility	12,565,370	8.67%	12,896,920	8.82%
Tangible Personal	18,281,062	12.61%	16,740,693	11.45%
Total Assessed Value	\$ 144,931,292	100.00%	\$ 146,238,913	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 30.80		\$ 28.40	

7. 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. In the fiscal year ended June 30, 2003, the district recorded income tax revenue of \$1,489,875 in the general fund, of which \$486,895 is recorded as a receivable at June 30, 2003.

8. RECEIVABLES

Receivables at June 30, 2003, consisted of both property and income taxes, accounts (rent and student fees), intergovernmental, accrued interest 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.

A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

	<u>Amounts</u>
Governmental Activities	
Accounts Receivable	\$ 4,760
Intergovernmental Receivable	2,756,401
Taxes Receivable	<u>4,858,651</u>
Total	<u>\$ 7,619,812</u>

Receivables have been disaggregated on the face of the basic financial statements.

9. NOTES RECEIVABLE

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

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

At the close of fiscal year 2003, there were 6 students with a total principal balance of \$12,429 for the Bauer Loan Fund and 1 student with a total principal balance of \$3,000 for the Melrose Area Book Scholarship.

10. Capital Assets

A. The capital asset balances of the governmental activities have been restated due to an increase of the capital asset threshold to \$5,000, the inclusion of food services capital assets as government activities and to depreciate capital assets in accordance with GASB Statement No. 34.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

	Balance 6/30/02	Adjustments	Restated Balance 6/30/02
<u>Governmental Activities</u>			
Capital assets, not being depreciated:			
Land	\$ 311,386	\$ (10,011)	\$ 301,375
Total capital assets, not being depreciated	311,386	(10,011)	301,375
Capital assets, being depreciated:			
Land improvements	247,408	(49,750)	197,658
Buildings and improvements	9,311,410	(151,356)	9,160,054
Furniture and equipment	1,995,895	(1,634,384)	361,511
Vehicles	1,346,245	-	1,346,245
Construction in Progress	1,897,600	-	1,897,600
Total capital assets, being depreciated	14,798,558	(1,835,490)	12,963,068
Less: accumulated depreciation	-	(5,206,829)	(5,206,829)
Governmental activities capital assets, net	<u>\$ 15,109,944</u>	<u>\$ (7,052,330)</u>	<u>\$ 8,057,614</u>

B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 06/30/02	Additions	Deductions	Balance 06/30/03
Capital assets, not being depreciated:				
Land	\$ 301,375	\$ -	\$ (7,790)	\$ 293,585
Capital assets, being depreciated:				
Land improvements	197,658	-	(37,830)	159,828
Buildings and improvements	9,160,054	-	(1,834,304)	7,325,750
Furniture and equipment	361,511	-	(187,367)	174,144
Vehicles	1,346,245	52,224	(37,066)	1,361,403
Construction-in-progress	1,897,600	19,010,416	-	20,908,016
Total capital assets, being depreciated	12,963,068	19,062,640	(2,096,567)	29,929,141
Less: accumulated depreciation				
Land improvements	(79,692)	(5,612)	28,870	(56,434)
Buildings and improvements	(3,877,397)	(166,044)	1,382,448	(2,660,993)
Furniture and equipment	(258,437)	(13,109)	152,086	(119,460)
Vehicles	(991,303)	(115,508)	37,066	(1,069,745)
Total accumulated depreciation	(5,206,829)	(300,273)	1,600,470	(3,906,632)
Capital assets, net of accumulated depreciation	<u>\$ 8,057,614</u>	<u>\$18,762,367</u>	<u>\$ (503,887)</u>	<u>\$26,316,094</u>

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

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 96,209
Special	4,539
Vocational	433
Support Services:	
Pupils	932
Instructional Staff	15,997
Administration	6,501
Fiscal	1,469
Operation and Maintenance of Plant	12,598
Pupil Transportation	119,364
Sports Oriented Activities	27,552
Food Service	14,679
Total Depreciation Expense	<u>\$ 300,273</u>

11. INTERFUND TRANSACTIONS

On the fund financial statements, the General Fund has receivables of \$128,599. The General Fund receivable is payable from the non-major governmental funds. These interfund loans were made to provide operating capital.

Interfund transfers for the year ended June 30, 2003 consisted of the following:

	Transfers In	Transfers Out
	<u> </u>	<u> </u>
<u>Governmental Activities</u>		
General Fund	\$ 2,500	\$ 90,678
Non-major funds:		
Greenhouse fund	10,000	-
Food service fund	78,178	-
Alumni Fund	1,108	-
Title V fund	2,631	-
Eisenhower grant fund	-	1,874

(Continued)

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

	Transfers In	Transfers Out
Title VI fund	-	2,631
Title VI-R fund	-	36
Title II-A Fund	1,910	-
Total non-major funds	93,827	4,541
Fidciary Fund:		
Class of 2002 - Agency Fund	-	1,108
Total transfers	\$ 96,327	\$ 96,327

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted for the following insurance coverages:

Coverages provided by Selective Insurance Company of South Carolina are as follows:

Buildings and Contents – replacement cost (\$1,000 deductible)	\$ 24,344,461
Boiler and Machinery (included in buildings and contents)	
Employee Dishonesty – per loss	50,000
Commercial crime	2,500
Hardware and Software (included in buildings and contents)	
Audio Visual Equipment (included in buildings and contents)	
Music Instruments and Band Uniforms (included in buildings and contents)	
Automobile Liability	\$ 1,000,000
Uninsured Motorists	1,000,000
Medical Payments – per person	5,000
General School District Liability	
Per Occurrence	1,000,000
Total per year	3,000,000
Umbrella Liability Insurance	15,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

As of June 30, 2003 the School District has contracted through the Paulding County Schools Council with Medical Mutual of Ohio as third party provider to provide employee medical/surgical benefits and also dental benefits. Rates are set through an annual calculation process. The School District and the employees share the cost of the monthly premium with the Board. For fiscal year 2003, the School District's and classified employees' premiums were \$842 and \$62 for family coverage and \$337 and \$62 for single coverage per employee per month, respectively. For fiscal year 2003, the School District's and certified employees' premiums were \$818 and \$61 for family coverage and \$327 and \$61 for single coverage per employee per month, respectively.

For fiscal year 2003, the School District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan (the GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Anthem Comp. Services provides administrative, cost control, and actuarial services to the GRP.

13. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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, or by calling (614) 227-4090.

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

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(Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all 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 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 DC Plan 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$892,219, \$606,480, and \$576,555, respectively; 100 percent has been contributed for fiscal year 2003, 2002 and 2001.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone 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 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$173,450, \$96,143, and \$79,709, respectively; 50.67 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$85,568 represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

14. POST-EMPLOYMENT 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 partial

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$68,632 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$166,569 for fiscal year 2003.

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, 2003 were \$204,931 million and the target level was \$307.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to a classified employee, other than administrative personnel upon retirement is limited to 40 days, and 5 percent of any accumulated days above forty accumulated days of sick leave. The amount paid to a certified employee, with 10 or more years of service, other than administrative personnel upon retirement is limited to 42 days, and 5 percent of any accumulated days above forty two accumulated days of sick leave. The amount paid to administrative personnel upon retirement is limited to 50 days, and 19 percent of any accumulated days above 50 accumulated days of sick leave. If accumulated sick leave is less than the days earned, then only the amount earned will be paid.

B. Life Insurance

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

16. LONG-TERM OBLIGATIONS

During the year ended June 30, 2003, the following changes occurred in governmental activities long term obligations:

	Restated Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Compensated absences payable	\$ 986,947	\$ -	\$ 108,851	\$ 878,096
General obligation bonds	6,685,000	-	235,000	6,450,000
Capital appreciation bonds	418,758	44,861	-	463,619
Total	<u>\$ 8,090,705</u>	<u>\$ 44,861</u>	<u>\$ 343,851</u>	<u>\$ 7,791,715</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

During fiscal 2002, the voters of the District authorized the issuance of \$7,168,897 in general obligation bonds, for the purpose of renovating and otherwise improving school facilities. These bonds will be retired from proceeds of an additional bonded debt tax levy.

The school improvement general obligation bond issue is comprised of both current interest bonds, par value \$6,795,000 and capital appreciation bonds, par value \$373,897 and a maturity value of \$710,000. The capital appreciation bonds mature on December 1, 2007-2008 at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The present value reported in the statement of net assets at June 30, 2003 was \$463,618. Total accreted interest for fiscal year 2003 was \$44,861.

Fiscal Year Ending June 30,	Principal	Interest	Total General Obligation Bonds
2004	\$ 250,000	\$ 290,809	\$ 540,809
2005	300,000	280,559	580,559
2006	325,000	267,856	592,856
2007	320,000	334,733	654,733
2008	195,520	416,884	612,404
2009-2013	1,698,377	1,202,524	2,900,901
2014-2018	2,165,000	663,666	2,828,666
2019-2021	1,570,103	120,250	1,690,353
Total	<u>\$ 6,824,000</u>	<u>\$ 3,577,281</u>	<u>\$ 10,401,281</u>

17. 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 year must be held in cash at year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the change in the fund balance reserves for textbooks and capital improvements, during fiscal year 2003.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

	Textbooks	Capital Improvements
Balance June 30, 2002	\$ (106,207)	\$ -
Current Year Set-Aside Requirement	241,830	241,830
Current Year Offset	-	(217,009)
Qualifying Expenditures	(321,467)	(56,731)
Balance June 30, 2003	\$ (185,844)	\$ (31,910)
Amount Carried Forward to Fiscal Year 2004	\$ (185,844)	\$ -

The School District had qualifying expenditures during the year that reduced the textbooks reserve to less than zero. This excess can be used to offset future set aside requirements.

18. JOINTLY GOVERNED ORGANIZATIONS

A. The Northwest Ohio Area Computer Services Cooperative

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The duties and obligations of the organization and members participating are set forth in a written agreement covering the program.

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

B. Vantage Career Center

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

C. Paulding County Schools Council

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

19. GROUP PURCHASING POOLS

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

The School District participates in this plan, an insurance purchasing pool. The GRP's business and affairs are governed as described in Note 12. Each year, the participating school districts pay an enrollment fee to the plan to cover the costs of administering the

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

plan. The administrator of the plan is Anthem Comp. Services, 31200 Pine Tree Road, Pepper Pike, Ohio 44124-5900.

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

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

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

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

20. STATE SCHOOL FUNDING DECISION

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

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

21. CONTINGENCIES

A. Grants

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

(Continued)

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, 2003.

B. Litigation

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

22. OUTSTANDING CONTRACTUAL COMMITMENTS

As of June 30, 2003 the District had the following outstanding commitments:

<u>Vendor/Contract</u>	<u>Amount</u>
A. Hattersley & Sons, Inc.	\$ 1,430,635
Armstrong Mechanical Services, Inc.	45,790
Bowen/Washington/Regency	286,879
Brint Electric, Inc.	83,361
Bushong Restaurant Equipment Co.	51,745
CTL Engineering	30,539
Effective Office Environments	169,184
Fanning/Howey Associates	167,828
Henkels & McCoy, Inc.	701,698
L.A. Electric, Inc.	573,042
Lima Contracting Company	955,561
Mel Lanzer Company	2,535,854
Ohio Plumbing & Electric	28,804
Roth Bros., Inc.	153,070
SIS – USA	87,490
Shambaugh & Son, Inc.	29,437
TDS	99,891
Tom Sexton & Assoc.	232,416
Vulcan Enterprises, Inc.	26,620
Wasserstrom Company	222,262
Miscellaneous expenses	78,568
	<u>\$ 7,990,674</u>

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program		10.550
School Breakfast Program		10.553
National School Lunch Program		10.555
Special Milk Program		10.556
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
<u>Special Education Cluster:</u>		
Special Education - Grants to States	6B-SF-02	84.027
	6B-SD-03	84.027
Total Special Education - Grants to States		
Special Education - Preschool Grant	PG-S1-02P	84.173
	PG-S1-03P	84.173
Total Special Education - Preschool Grant		
Total Special Education Cluster		
Title I Grants to Local Educational Agencies	CS-S1-02	84.010
	CS-S1-03	84.010
Total Title I Grants		
Safe and Drug Free Schools and Communities Grant	DR-S1-01	84.186
	DR-S1-02	84.186
	DR-S1-03	84.186
Total Safe and Drug Free Schools and Communities Grant		
Eisenhower Professional Development Grant	MS-S1-02	84.281
Innovative Educational Program Strategies	C2-S1-02	84.298
	C2-S1-03	84.298
Total Innovative Educational Program Strategies		

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ 6,463	\$ 53,936	\$ 6,463	\$ 53,936
120,294		120,294	
3,463		3,463	
130,220	53,936	130,220	53,936
73,095		39,066	
106,049		202,205	
<u>179,144</u>		<u>241,271</u>	
3,153		11,241	
29,875		23,832	
<u>33,028</u>		<u>35,073</u>	
<u>212,172</u>		<u>276,344</u>	
32,660		34,302	
177,527		176,293	
<u>210,187</u>		<u>210,595</u>	
3,913		408	
1,493		4,818	
<u>5,406</u>		<u>7,759</u>	
		12,985	
		1,119	
31		1,521	
13,452		13,452	
<u>13,483</u>		<u>14,973</u>	

(Continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
Technology, Title II-D	TJS1-03	84.318
Test Reimbursement		84.330
Class Size Reduction	CR-S1-02	84.340
Assistive Technology Infusion Project	AT53-02	84.352A
	AT53-02	84.352A
Total Assistive Technology Infusion Project		
Class Size Reduction	TRS1-03	84.367
Total U.S. Department of Education		
INSTITUTE OF MUSEUM AND LIBRARY SERVICES		
<i>Passed Through the State Library of Ohio</i>		
LSTA Grant	I-7-01	45.310
U.S. DEPARTMENT OF HUMAN SERVICES		
<i>Passed Through Ohio Department of MRDD</i>		
Medical Assistance Program (CAFS)		93.778
Total		

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>
3,564		2,740	
150		150	
		3,274	
6,208		6,208	
13,630		1,286	
<u>19,838</u>		<u>7,494</u>	
61,757		73,034	
<u>526,557</u>		<u>602,708</u>	
		996	
31,697		31,697	
<u>\$688,474</u>	<u>\$53,936</u>	<u>\$765,621</u>	<u>\$53,936</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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 nonmonetary 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 COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Paulding Exempted Village School District
Paulding County
712 North Street, Suite 102
Fremont, Ohio 43420-1198

To the Board of Education:

We have audited the financial statements of the Paulding Exempted Village School District, Paulding County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated March 25, 2004, in which we disclosed the District implemented a new financial reporting model and changed its method of accounting for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which we have reported to the management of the District in a separate letter dated March 25, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 15, 2004.

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



Betty Montgomery
Auditor of State

March 25, 2004



**Auditor of State
Betty Montgomery**

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

Paulding Exempted Village School District
Paulding County
712 North Street, Suite 102
Fremont, Ohio 43420-1198

To the Board of Education:

Compliance

We have audited the compliance of the Paulding Exempted Village School District, Paulding County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated March 25, 2004.

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



Betty Montgomery
Auditor of State

March 25, 2004

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, Part A, ESEA CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All Others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 27, 2004**