



**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 the Paulding Exempted Village School District, Paulding County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 the Paulding Exempted Village School District, Paulding County, as of June 30, 2004, and the respective changes in financial position, there of and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Betty Montgomery
Auditor of State

April 29, 2005

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

The discussion and analysis of Paulding Exempted Village School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Key highlights for fiscal year 2004 are as follows:

- The construction and renovations of the School District's instructional buildings were completed by fiscal year end.
- The School District renovated a building for a new administration building, which was completed in March 2005. The total cost of the renovation was budgeted for \$397,510 including design, construction, and a limited purchase of furniture and equipment. The project will be paid from the Permanent Improvement capital projects fund.
- A capital asset appraisal was performed for the fiscal year ended June 30, 2004. The School District split the historical cost of the buildings between their component parts of land improvements, buildings, electrical system, heating and air system, roofing, and interior construction. The component parts were depreciated at varying useful lives resulting in an overall increase in accumulated depreciation of \$1,463,748.
- The negotiated agreement between the School District and the Paulding Education Association expired on June 30, 2004. The School District entered into a new two-year negotiated agreement that modified pay increases and health care.

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the School District's net assets for fiscal year 2004 compared to fiscal year 2003.

Table 1 Net Assets		
	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	8,873,433	19,403,364
Capital Assets, Net	32,868,928	26,316,094
<i>Total Assets</i>	41,742,361	45,719,458
Liabilities		
Current and Other Liabilities	6,141,205	8,018,938
Long-Term Liabilities	7,630,990	7,807,106
<i>Total Liabilities</i>	13,772,195	15,826,044
Net Assets		
Invested in Capital Assets, Net of Related Debt	26,295,031	26,316,094
Restricted	2,525,946	3,867,342
Unrestricted (Deficit)	(850,811)	(290,022)
<i>Total Net Assets</i>	\$ 27,970,166	\$ 29,893,414

The School District's current and other assets decreased from using the remaining Ohio School Facilities Commission grant monies and bond proceeds to construct and renovate instructional buildings. Liabilities relating to the construction and renovation of the instructional buildings also decreased since the buildings were completed by fiscal year end.

While net capital assets increased substantially as a result of construction, invested in capital assets, net of related debt, did not change materially because the debt associated with the construction of the new buildings was not expended until fiscal year 2004; therefore, increases from additional construction were offset by the related debt. The decrease in restricted net assets was the result of spending the debt proceeds for the construction of the new buildings. Unrestricted net assets decreased from spending more than the revenues received during the fiscal year for basic operations.

Table 2 reflects the change in net assets for fiscal year 2004 compared to fiscal year 2003.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)

Table 2
Change in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program Revenues		
Charges for Services	\$ 837,796	\$ 601,404
Operating Grants, Contributions, and Interest	2,138,491	1,842,306
Capital Grants and Contributions	66,283	58,486
<i>Total Program Revenues</i>	<u>3,042,570</u>	<u>2,502,196</u>
General Revenues		
Property Taxes	3,602,477	3,910,192
Income Taxes	1,520,226	1,498,936
Payment in Lieu of Taxes	8,010	6,746
Grants and Entitlements not Restricted to Specific Programs	7,310,804	9,264,185
Interest	97,302	256,622
Miscellaneous	60,517	93,221
<i>Total General Revenues</i>	<u>12,599,336</u>	<u>15,029,902</u>
<i>Total Revenues</i>	<u>15,641,906</u>	<u>17,532,098</u>
Expenses		
Instruction:		
Regular	8,355,445	7,076,920
Special	1,585,057	1,408,649
Vocational	247,704	239,871
Support Services:		
Pupils	689,862	669,882
Instructional Staff	952,526	701,104
Board of Education	85,109	144,266
Administration	1,392,872	1,770,017
Fiscal	455,058	429,167
Business	85,127	75,415
Operation and Maintenance of Plant	1,025,474	968,386
Pupil Transportation	998,785	880,971
Central	10,226	10,800
Noninstructional Services	781,771	603,000
Extracurricular Activities	530,075	465,679
Interest and Fiscal Charges	370,063	343,680
<i>Total Expenses</i>	<u>17,565,154</u>	<u>15,787,807</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$ (1,923,248)</u>	<u>\$ 1,744,291</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)

General revenues decreased significantly. The most significant decrease was in unrestricted grants and entitlements which included revenues received from the Ohio School Facilities Commission to construct and renovate the School District's instructional buildings in fiscal year 2003, in the amount of \$2,510,722. Additional decreases in general revenues included the reduction of real estate property taxes available for advance at fiscal year end and the reduction of interest revenue from spending the remaining Ohio School Facilities Commission monies and bond proceeds for the construction of new instructional buildings.

Overall, total expenses increased significantly, of which \$1,463,748 pertained to a change in accounting estimates for the useful lives of land improvements and buildings. The distribution of the change in accounting estimate was distributed between the functions affected.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
Instruction:				
Regular	\$ 8,355,445	\$ 7,076,920	\$ 7,595,331	\$ 6,591,561
Special	1,585,057	1,408,649	239,679	589,734
Vocational	247,704	239,871	187,788	193,794
Support Services:				
Pupils	689,862	669,882	584,990	602,238
Instructional Staff	952,526	701,104	952,526	437,323
Board of Education	85,109	144,266	85,109	144,266
Administration	1,392,872	1,770,017	1,392,872	1,701,889
Fiscal	455,058	429,167	455,058	429,167
Business	85,127	75,415	85,127	75,415
Operation and Maintenance of Plant	1,025,474	968,386	1,018,322	968,386
Pupil Transportation	998,785	880,971	956,236	811,404
Central	10,226	10,800	10,226	1,059
Noninstructional Services	781,771	603,000	176,187	114,637
Extracurricular Activities	530,075	465,679	413,070	282,580
Interest and Fiscal Charges	370,063	343,680	370,063	343,680
<i>Total Expenses</i>	<u>\$ 17,565,154</u>	<u>\$ 15,787,807</u>	<u>\$ 14,522,584</u>	<u>\$ 13,287,133</u>

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)

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

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

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

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

The School District received its final allocation of Ohio School Facilities Commission grant monies in the Ohio School Facilities Commission Fund during fiscal year 2004. A transfer from other governmental funds, in the amount of \$658,640, was made to provide local resources to finalize the project. The fund balance of the Ohio School Facilities Commission Fund decreased significantly due to capital outlays required to complete the facilities project.

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During fiscal year 2004, the School District amended its General Fund budget as needed.

The original appropriations were increased from fiscal year 2003 based on increases in salaries, insurance premiums (including health, building, property, and fleet), special education costs, and utility costs. The School District's final appropriations are passed by the Board of Education to match actual expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2004, the School District had \$32,868,928 invested in capital assets (net of accumulated depreciation) for governmental activities. Additions to depreciable capital assets included the costs of constructing and equipping the new middle school, Paulding elementary school, and Oakwood elementary school, as well as the purchase of a school bus. During fiscal year 2004, the School District disposed of lunchroom equipment, maintenance equipment, a school bus, a band bus, and a vehicle.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)

The School District modified the useful life for a number of assets. Historical costs for buildings were split into its component parts and accumulated depreciation was modified accordingly. For further information regarding the School District's capital assets, refer to Note 12 the basic financial statements.

Debt - The School District had one general obligation bond outstanding, in the amount of \$6,718,993, which will be repaid from a voted property tax levy of 3.9 mills.

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

CURRENT ISSUES

The School District's appropriations for the General Fund in fiscal year 2005, in the amount of \$13,546,123, are not significantly different from fiscal year 2004. The Board of Education has approved several budget reduction actions for fiscal year 2005 that includes the reduction of four teaching positions, one bus driver, one secretary, three teacher aides, and one food service position. The School District also eliminated two activity bus routes.

The new two-year negotiated agreement with the Paulding Education Association included a pay increase of 3 percent for each year of the agreement and a change in insurance carriers from Medical Mutual of Ohio to Anthem Blue Cross and Blue Shield. The new policy is a full PPO while the old policy was a facility PPO but not a provided PPO. This change in insurance carriers was imposed on the employees within the Ohio Association of Public School Employees Union. A grievance has been filed by this union and will be taken to arbitration.

The Ohio School Facilities Commission project is completed and all retainage is expected to be paid within fiscal year 2005.

Federal grants have increased from \$683,936 in fiscal year 2004 to \$784,426 in fiscal year 2005. The most significant of these grants is IDEA B which increased by \$125,828 from the change in the distribution of this grant by the State. In fiscal year 2009, the IDEA B grant will be dropped to the fiscal year 2004 level.

REQUEST FOR INFORMATION

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

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Net Assets
June 30, 2004**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,808,664
Cash and Cash Equivalents with Escrow Agent	439,836
Accounts Receivable	293
Accrued Interest Receivable	714
Intergovernmental Receivable	46,312
Income Taxes Receivable	622,350
Inventory Held for Resale	23,468
Property Taxes Receivable	3,919,942
Loans Receivable	11,854
Nondepreciable Capital Assets	293,585
Depreciable Capital Assets, Net	<u>32,575,343</u>
<i>Total Assets</i>	<u>41,742,361</u>
Liabilities	
Accrued Wages and Benefits Payable	1,186,571
Accounts Payable	6,420
Contracts Payable	357,773
Retainage Payable	440,018
Intergovernmental Payable	539,610
Accrued Interest Payable	23,880
Deferred Revenue	3,586,933
Long-Term Liabilities	
Due Within One Year	396,961
Due in More Than One Year	<u>7,234,029</u>
<i>Total Liabilities</i>	<u>13,772,195</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	26,295,031
Restricted for:	
Debt Service	226,006
Capital Projects	1,974,155
Other Purposes	325,785
Unrestricted (Deficit)	<u>(850,811)</u>
<i>Total Net Assets</i>	<u><u>\$ 27,970,166</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2004**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Revenue and Change in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 8,355,445	\$ 226,604	\$ 495,560	\$ 37,950	\$ (7,595,331)
Special	1,585,057	-	1,345,378	-	(239,679)
Vocational	247,704	-	59,916	-	(187,788)
Support Services:					
Pupils	689,862	98,609	6,263	-	(584,990)
Instructional Staff	952,526	-	-	-	(952,526)
Board of Education	85,109	-	-	-	(85,109)
Administration	1,392,872	-	-	-	(1,392,872)
Fiscal	455,058	-	-	-	(455,058)
Business	85,127	-	-	-	(85,127)
Operation and Maintenance					
of Plant	1,025,474	-	7,152	-	(1,018,322)
Pupil Transportation	998,785	-	14,216	28,333	(956,236)
Central	10,226	-	-	-	(10,226)
Noninstructional Services	781,771	395,578	210,006	-	(176,187)
Extracurricular Activities	530,075	117,005	-	-	(413,070)
Interest and Fiscal Charges	370,063	-	-	-	(370,063)
<i>Total Governmental Activities</i>	<u>\$ 17,565,154</u>	<u>\$ 837,796</u>	<u>\$ 2,138,491</u>	<u>\$ 66,283</u>	<u>(14,522,584)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	2,930,974
Classroom Facilities	59,121
Debt Service	487,439
Permanent Improvements	124,943
Income Taxes	1,520,226
Payment in Lieu of Taxes	8,010
Grants and Entitlements not Restricted to Specific Programs	7,310,804
Interest	97,302
Miscellaneous	60,517
<i>Total General Revenues</i>	<u>12,599,336</u>
<i>Change in Net Assets</i>	<u>(1,923,248)</u>
Net Assets at Beginning of Year	<u>29,893,414</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 27,970,166</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2004**

	General	Ohio School Facilities Commission	Other Governmental	Total
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 888,354	\$ 1,887,282	\$ 1,033,028	\$ 3,808,664
Accounts Receivable	98	-	195	293
Accrued Interest Receivable	330	-	384	714
Intergovernmental Receivable	24,479	-	21,833	46,312
Income Taxes Receivable	622,350	-	-	622,350
Inventory Held for Resale	-	-	23,468	23,468
Restricted Assets				
Cash and Cash Equivalents with Escrow Agent	-	439,836	-	439,836
Property Taxes Receivable	3,188,339	-	731,603	3,919,942
Loans Receivable	-	-	11,854	11,854
Total Assets	\$ 4,723,950	\$ 2,327,118	\$ 1,822,365	\$ 8,873,433
Liabilities				
Accrued Wages and Benefits Payable	\$ 1,123,901	\$ -	\$ 62,670	\$ 1,186,571
Accounts Payable	6,420	-	-	6,420
Contracts Payable	-	340,679	17,094	357,773
Retainage Payable	-	182	-	182
Intergovernmental Payable	280,812	-	14,596	295,408
Liabilities Payable from Restricted Assets				
Retainage Payable	-	439,836	-	439,836
Deferred Revenue	3,042,611	-	672,906	3,715,517
Total Liabilities	4,453,744	780,697	767,266	6,001,707
Fund Balances				
Reserved for Property Taxes	253,279	-	59,081	312,360
Reserved for Loans Receivable	-	-	9,405	9,405
Reserved for Encumbrances	16,182	363,559	73,159	452,900
Unreserved, Reported in				
General Fund	745	-	-	745
Special Revenue Funds	-	-	349,422	349,422
Debt Service Fund	-	-	203,795	203,795
Capital Projects Funds	-	1,182,862	360,237	1,543,099
Total Fund Balances	270,206	1,546,421	1,055,099	2,871,726
Total Liabilities and Fund Balances	\$ 4,723,950	\$ 2,327,118	\$ 1,822,365	\$ 8,873,433

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004**

Total Governmental Fund Balances		\$ 2,871,726
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		32,868,928
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accrued Interest Receivable	704	
Income Taxes Receivable	107,231	
Property Taxes Receivable	20,649	
		128,584
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds		(244,202)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(23,880)	
General Obligation Bonds Payable	(6,718,993)	
Compensated Absences Payable	(911,997)	
		(7,654,870)
<i>Net Assets of Governmental Activities</i>		\$ 27,970,166

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	General	Ohio School Facilities Commission	Other Governmental	Total
Revenues				
Property Taxes	\$ 3,192,817	\$ -	\$ 729,231	\$ 3,922,048
Income Taxes	1,507,504	-	-	1,507,504
Payment in Lieu of Taxes	8,010	-	-	8,010
Intergovernmental	8,484,489	2,031,875	1,212,791	11,729,155
Interest	24,367	72,028	1,143	97,538
Tuition and Fees	144,948	-	69,676	214,624
Charges for Services	-	-	429,819	429,819
Extracurricular Activities	-	-	179,919	179,919
Gifts and Donations	-	-	5,891	5,891
Miscellaneous	72,460	-	1,491	73,951
<i>Total Revenues</i>	<u>13,434,595</u>	<u>2,103,903</u>	<u>2,629,961</u>	<u>18,168,459</u>
Expenditures				
Current:				
Instruction:				
Regular	7,104,064	-	214,051	7,318,115
Special	1,160,763	-	331,566	1,492,329
Vocational	241,453	-	7,084	248,537
Support Services:				
Pupils	560,817	-	124,567	685,384
Instructional Staff	476,863	-	281,709	758,572
Board of Education	117,958	-	-	117,958
Administration	1,194,210	-	68,795	1,263,005
Fiscal	416,688	-	28,719	445,407
Business	87,586	-	-	87,586
Operation and Maintenance of Plant	984,716	-	31,384	1,016,100
Pupil Transportation	797,887	-	8,360	806,247
Central	1,590	-	8,772	10,362
Noninstructional Services	740	-	651,627	652,367
Extracurricular Activities	344,406	-	109,431	453,837
Capital Outlay	-	7,926,553	225,063	8,151,616
Debt Service:				
Principal Retirement	-	-	250,000	250,000
Interest and Fiscal Charges	-	-	290,809	290,809
<i>Total Expenditures</i>	<u>13,489,741</u>	<u>7,926,553</u>	<u>2,631,937</u>	<u>24,048,231</u>
<i>Excess of Expenditures Over Revenues</i>	<u>(55,146)</u>	<u>(5,822,650)</u>	<u>(1,976)</u>	<u>(5,879,772)</u>
Other Financing Sources (Uses)				
Transfers In	-	658,640	93,976	752,616
Transfers Out	(93,976)	-	(658,640)	(752,616)
<i>Total Other Financing Sources (Uses)</i>	<u>(93,976)</u>	<u>658,640</u>	<u>(564,664)</u>	<u>-</u>
<i>Changes in Fund Balances</i>	<u>(149,122)</u>	<u>(5,164,010)</u>	<u>(566,640)</u>	<u>(5,879,772)</u>
Fund Balances at Beginning of Year	419,328	6,710,431	1,621,739	8,751,498
<i>Fund Balances at End of Year</i>	<u>\$ 270,206</u>	<u>\$ 1,546,421</u>	<u>\$ 1,055,099</u>	<u>\$ 2,871,726</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2004**

Changes in Fund Balances - Total Governmental Funds \$ (5,879,772)

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

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

Nondepreciable Capital Assets	8,505,662	
Depreciable Capital Assets	374,136	
Change in Accounting Estimate	(1,463,748)	
Depreciation	<u>(842,840)</u>	
		6,573,210

The book value of capital assets is removed from the capital asset
account on the statement of net assets when disposed of resulting in
a loss on disposal of capital assets on the statement of activities. (20,376)

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

Property Taxes	(319,571)	
Income Taxes	12,722	
Intergovernmental	(2,220,408)	
Interest	<u>704</u>	
		(2,526,553)

Repayment of principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities on the statement
of net assets. 250,000

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

Annual Accretion	(55,374)	
Accrued Interest Payable	<u>(23,880)</u>	
		(79,254)

Some expenses reported on the statement of activities, such as
compensated absences and intergovernmental payables representing
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	(221,993)	
Compensated Absences Payable	<u>(18,510)</u>	
		<u>(240,503)</u>

Change in Net Assets of Governmental Activities \$ (1,923,248)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison
General Fund
For the Fiscal Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 3,164,513	\$ 3,168,948	\$ 3,168,948	\$ -
Income Taxes	1,544,703	1,479,280	1,479,280	-
Payment in Lieu of Taxes	7,000	8,010	8,010	-
Intergovernmental	8,301,943	8,464,072	8,464,072	-
Interest	65,000	25,075	25,075	-
Tuition and Fees	169,545	144,942	144,942	-
Miscellaneous	25,700	72,495	72,495	-
<i>Total Revenues</i>	13,278,404	13,362,822	13,362,822	-
Expenditures				
Current:				
Instruction:				
Regular	6,270,258	6,230,239	6,230,239	-
Special	1,105,124	1,107,031	1,107,031	-
Vocational	240,278	242,155	242,155	-
Other	789,341	868,362	868,362	-
Support Services:				
Pupils	571,341	559,834	559,834	-
Instructional Staff	488,587	476,274	476,274	-
Board of Education	151,952	116,917	116,917	-
Administration	1,207,990	1,220,018	1,220,018	-
Fiscal	425,659	409,664	409,664	-
Business	75,115	87,141	87,141	-
Operation and Maintenance of Plant	1,152,597	991,794	991,794	-
Pupil Transportation	788,126	798,585	798,585	-
Central	1,500	1,500	1,500	-
Noninstructional Services	510	732	732	-
Extracurricular Activities	342,940	346,477	346,477	-
<i>Total Expenditures</i>	13,611,318	13,456,723	13,456,723	-
<i>Excess of Expenditures Over Revenues</i>	(332,914)	(93,901)	(93,901)	-
Other Financing Sources (Uses)				
Advances In	128,599	128,599	128,599	-
Transfers Out	(47,500)	(93,976)	(93,976)	-
<i>Total Other Financing Sources (Uses)</i>	81,099	34,623	34,623	-
<i>Changes in Fund Balance</i>	(251,815)	(59,278)	(59,278)	-
Fund Balance at Beginning of Year	892,862	892,862	892,862	-
Prior Year Encumbrances Appropriated	39,305	39,305	39,305	-
<i>Fund Balance at End of Year</i>	\$ 680,352	\$ 872,889	\$ 872,889	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004**

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 68,796</u>
Liabilities	
Due to Students	<u>\$ 68,796</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred seventy-seven square miles. It is located in Paulding County. The School District is the 301st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by ninety classified employees, one hundred thirty-five certified teaching personnel, and twelve administrative employees who provide services to 1,857 students and other community members. The School District currently operates four instructional buildings.

Reporting Entity

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2004. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for staff generated revenues for noninstructional activities and various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget information, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget information indicates the projected revenues and expenditures for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the fund level for all funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level in all funds are made by the Treasurer.

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

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The Board adopts their final budgeted amounts at the end of the fiscal year to match actual expenditures plus year end encumbrances; therefore, no variances are reflected on the financial statement.

F. Cash and Investments

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

The School District maintains separate accounts for the accumulated retainage on contracts for construction and renovation of the School District's buildings. The amounts held within these accounts are reflected as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2004, investments were limited to nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. The School District's investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 was \$24,367, which includes \$8,740 assigned from other School District funds.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

G. Inventory

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the Ohio School Facilities Commission capital projects fund represent amounts held by an escrow agent for retainage to be paid upon project completion.

I. Capital Assets

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

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

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

Description	Useful Lives
Land Improvements	20 years
Buildings	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

J. Compensated Absences

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service, music, and athletic programs, and federal and state grants restricted to expenditure for specified purposes. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

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

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

N. Interfund Transactions

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

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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

P. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2004, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to a primary government. The implementation of this statement did not result in any change to the School District's financial statements.

NOTE 4 - CHANGE IN ACCOUNTING ESTIMATE

For fiscal year 2004, the historical costs of buildings were modified based on splitting the value of the buildings into their component parts of land improvements, buildings, electrical system, heating and air system, roofing, and interior construction. Accumulated depreciation was also allocated and modified accordingly. Accumulated depreciation for land improvements and buildings increased by \$144,628 and \$1,334,955, respectively. Accumulated depreciation for equipment decreased by \$15,835.

NOTE 5 - ACCOUNTABILITY

At June 30, 2004, the IDEA B and Handicap Preschool special revenue funds had deficit fund balances of \$16,009 and \$2,426, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 6 - 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 for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

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

Change in Fund Balance	
GAAP Basis	\$ (149,122)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2003, Received in Cash FY 2004	720,511
Accrued FY 2004, Not Yet Received in Cash	(792,985)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(1,362,973)
Accrued FY 2004, Not Yet Paid in Cash	1,411,133
Advances In	128,599
Unrecorded Cash Activity FY 2003	(17)
Change in Fair Value	718
Prepaid Items	1,041
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(16,183)
Budget Basis	\$ (59,278)

NOTE 7 - 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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For the Fiscal Year Ended June 30, 2004
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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 deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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At fiscal year end, the School District had \$183 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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 \$881,322 and the bank balance was \$1,094,327. Of the bank balance, \$575,206 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School 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. Investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair Value
Federal Home Loan Bank Notes	\$ 198,902	\$ 198,902
STAR Ohio		3,236,889
<i>Totals</i>		\$ 3,435,791

The classification of cash and cash equivalents and investments on the 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 financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 4,317,296	\$ -
Cash on Hand	(183)	
Investments:		
Federal Home Loan Bank Notes	(198,902)	198,902
STAR Ohio	(3,236,889)	3,236,889
GASB Statement No. 3	\$ 881,322	\$ 3,435,791

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, property taxes, and loans. All receivables

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are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except loans receivable, are expected to be collected within one year.

The Bauer Loan and the Melrose Area Book Scholarship were established in 1958 and 1992, respectively, through contributions from estates. Qualified students may borrow up to \$4,000 to pay for the costs of higher education. Repayments begin twenty-four months after completion of a college program. After six years, the principal begins accruing interest at a rate set by the School District. During fiscal year 2004, principal, in the amount of \$6,545, was repaid. Loans outstanding at June 30, 2004, were \$11,854. Loans receivable, in the amount of \$9,405, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
State of Ohio	\$ 777
Medicaid	23,702
<i>Total General Fund</i>	24,479
Other Governmental Funds	
Lunchroom	21,833
Total Intergovernmental Receivables	\$ 46,312

NOTE 9 - INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 10 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, 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

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(Continued)**

remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The School District receives property taxes from Paulding County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2004, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$253,279 in the General Fund, \$5,143 in the Classroom Facilities special revenue fund, \$42,930 in the Bond Retirement debt service fund, and \$11,008 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2003, was \$229,410 in the General Fund, \$4,657 in the Classroom Facilities special revenue fund, \$38,814 in the Bond Retirement debt service fund, and \$9,952 in the Permanent Improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2004 taxes were collected are:

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 116,601,300	79.73%	\$ 118,304,480	79.62%
Public Utility	12,896,920	8.82%	13,104,060	8.82%
Tangible Personal	16,740,693	11.45%	17,171,080	11.56%
Total Assessed Value	<u>\$ 146,238,913</u>	<u>100.00%</u>	<u>\$ 148,579,620</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 30.80		\$ 30.80	

NOTE 11 - PAYMENT IN LIEU OF TAXES

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

NOTE 12 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 06/30/03	Additions	Change in Estimate	Reductions	Balance at 06/30/04
Governmental Activities					
Nondepreciable Capital Assets					
Land	293,585	-	-	-	293,585
Construction in Progress	20,908,016	8,505,662	-	(29,413,678)	-
<i>Total Nondepreciable Capital Assets</i>	<u>21,201,601</u>	<u>8,505,662</u>	<u>-</u>	<u>(29,413,678)</u>	<u>293,585</u>
Depreciable Capital Assets					
Land Improvements	159,828	1,988,713	-	-	2,148,541
Buildings	7,325,750	27,172,009	-	-	34,497,759
Equipment	174,144	571,062	-	(42,316)	702,890
Vehicles	1,361,403	56,030	-	(75,433)	1,342,000
<i>Total Depreciable Capital Assets</i>	<u>9,021,125</u>	<u>29,787,814</u>	<u>-</u>	<u>(117,749)</u>	<u>38,691,190</u>

(Continued)

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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Balance at 06/30/03	Additions	Change in Estimate	Reductions	Balance at 06/30/04
Governmental Activities (Continued)					
Less Accumulated Depreciation					
Land Improvements	(56,434)	(62,428)	(144,628)	-	(263,490)
Buildings	(2,660,993)	(672,155)	(1,334,955)	-	(4,668,103)
Equipment	(119,460)	(30,276)	15,835	29,720	(104,181)
Vehicles	(1,069,745)	(77,981)	-	67,653	(1,080,073)
<i>Total Accumulated Depreciation</i>	<u>(3,906,632)</u>	<u>(842,840)</u>	<u>(1,463,748)</u>	<u>97,373</u>	<u>(6,115,847)</u>
<i>Depreciable Capital Assets, Net Governmental Activities</i>	<u>5,114,493</u>	<u>28,944,974</u>	<u>(1,463,748)</u>	<u>(20,376)</u>	<u>32,575,343</u>
<i>Capital Assets, Net</i>	<u>\$ 26,316,094</u>	<u>\$ 37,450,636</u>	<u>\$ (1,463,748)</u>	<u>\$ (29,434,054)</u>	<u>\$ 32,868,928</u>

Depreciation expense and the change in estimate were charged to governmental functions as follows:

	Depreciation Expense	Change in Estimate
Instruction:		
Regular	\$ 482,934	\$ 838,703
Special	64,479	111,979
Vocational	617	1,072
Support Services:		
Pupils	10,074	17,495
Instructional Staff	55,512	96,407
Administration	55,001	95,520
Fiscal	2,335	4,055
Operation and Maintenance of Plant	5,514	9,577
Pupil Transportation	86,513	150,246
Noninstructional Services	43,820	76,102
Extracurricular Activities	36,041	62,592
<i>Total Depreciation Expense</i>	<u>\$ 842,840</u>	<u>\$ 1,463,748</u>

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted for the following insurance coverage.

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

General Liability	
Per Occurrence	\$ 1,000,000
Aggregate	3,000,000
Building and Contents	47,601,198
Automobile Liability	1,000,000

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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Coverage provided by Ace Insurance Company is as follows:	
Excess Liability	\$ 10,000,000
Coverage provided by Federal Insurance Company is as follows:	
Boiler and Machinery	\$ 50,000,000

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 the prior fiscal year.

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

The School District participates in the Paulding County School Consortium's Employee Insurance Benefits Program (Program), an insurance purchasing pool consisting of two local school districts and one exempted village school district. The Program provides medical and dental benefits up to a maximum of \$75,000 per employee per year. Upon withdrawal from the Program, a participant is responsible for the payment of all Program liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

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(Continued)**

members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$868,666, \$892,219, and \$606,480, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. Contributions for the DCP and CP for the fiscal year ended June 30, 2004, were \$3,283 made by the School District and \$3,366 made by plan members.

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 was \$172,944, \$173,450, and \$96,143, respectively; 42 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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**Notes to the Basic Financial Statements
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NOTE 15 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$67,073.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

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

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$24,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$233,867 for fiscal year 2004.

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, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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(Continued)**

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

B. Health Care Benefits

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

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3 - 5%	\$ 6,450,000	\$ -	\$ 250,000	\$ 6,200,000	\$ 300,000
Capital Appreciation Bonds 9.39%	373,897	-	-	373,897	-
	6,823,897	-	250,000	6,573,897	300,000
Capital Appreciation Bond Accretion	89,722	55,374	-	145,096	-
<i>Total General Obligation Bonds</i>	6,913,619	55,374	250,000	6,718,993	300,000
Compensated Absences Payable	893,487	18,510	-	911,997	96,961
<i>Total Governmental Activities</i>					
<i>Long-Term Obligations</i>	<u>\$ 7,807,106</u>	<u>\$ 73,884</u>	<u>\$ 250,000</u>	<u>\$ 7,630,990</u>	<u>\$ 396,961</u>

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

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

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

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The capital appreciation bonds will mature in fiscal years 2008 and 2009. The maturity amount for the bonds is \$710,000. For fiscal year 2004, \$55,374 was accreted for a total bond value of \$518,993.

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

The School District's overall debt margin was \$7,002,064 with an unvoted debt margin of \$148,580 at June 30, 2004.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2004, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2005	\$ 300,000	\$ 280,559	\$ -	\$ -
2006	325,000	267,855	-	-
2007	320,000	254,993	-	-
2008	-	248,832	195,520	159,480
2009	-	248,833	178,377	176,623
2010-2014	1,915,000	1,038,308	-	-
2015-2019	2,270,000	556,738	-	-
2020-2021	1,070,000	54,250	-	-
<i>Totals</i>	<u>\$ 6,200,000</u>	<u>\$ 2,950,368</u>	<u>\$ 373,897</u>	<u>\$ 336,103</u>

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

NOTE 18 - SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Textbooks	Capital Improvements
Balance June 30, 2003	\$ (185,844)	\$ -
Current Year Set Aside Requirement	241,345	241,345
Qualifying Expenditures	(262,487)	(40,356)
Offsets	-	(200,989)
Balance June 30, 2004	\$ (206,986)	\$ -
Amount Carried Forward to Fiscal Year 2005	\$ (206,986)	\$ -

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

NOTE 19 - INTERFUND TRANSFERS

During fiscal year 2004, the General Fund made transfers to other governmental funds, in the amount of \$93,976, to subsidize activities in other funds. Other governmental funds made transfers to the Ohio School Facilities Commission capital projects fund, in the amount of \$658,640, to provide the local resources for construction of instructional buildings.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. West Central Ohio Regional Professional Development Center

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

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

B. West Central Ohio Special Education Regional Resource Center

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

C. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2004, the School District paid \$6,141 to the NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

D. Vantage Career Center

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

NOTE 21 - INSURANCE POOLS

A. Northwest Ohio Educational Council Insurance Pool Program

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

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

superintendent is appointed to a Board of Directors which advises the Trustee, Sky Financial, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Dave Bagley, 204 Archer Drive, Antwerp, Ohio, 45813.

NOTE 22 - 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 its future State funding and on its financial operations.

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Donation Program		10.550
School Breakfast Program		10.553
National School Lunch Program		10.555
Special Milk Program		10.556
Child and Adult Care Meal Program		10.558
Total U.S. Department of Agriculture - Nutrition Cluster		
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-03P	84.027
	6B-SF-04	84.027
<i>Total Special Education Grants to States</i>		
Special Education - Preschool Grant	PG-S1-03P	84.173
	PG-S1-04	84.173
<i>Total Special Education - Preschool Grant</i>		
Total Special Education Cluster		
Title I Grants to Local Educational Agencies	CS-S1-03	84.010
	CS-S1-04	84.010
<i>Total Title I Grants to Local Educational Agencies</i>		
Safe and Drug Free Schools and Communities State Grant	DR-S1-03	84.186
	DR-S1-04	84.186
<i>Total Safe and Drug Free Schools and Communities State Grant</i>		
Innovative Education Program Strategies	C2-S1-04	84.298
Education Technology State Grants	TJ-S1-04	84.318

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ 5,629	\$ 58,100	\$ 5,629	\$ 58,100
109,284		109,284	
2,510		2,510	
653		653	
118,076	58100	118,076	58100

114,886		18,730	
270,231		267,401	
<u>385,117</u>		<u>286,131</u>	
1,712		7,754	
<u>31,536</u>		<u>31,140</u>	
<u>33,248</u>		<u>38,894</u>	
<u>418,365</u>		<u>325,025</u>	

254,132		1,234	
<u>254,132</u>		<u>254,132</u>	
		255,366	

6,266			
<u>6,250</u>		<u>4,811</u>	
<u>12,516</u>		<u>4,811</u>	

23,874 23,874

6,601 6,277

(Continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2004
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF EDUCATION (Continued)		
Assistive Technology Infusion Project	AT-53-03	84.352
	AT-54-02	84.352
Total Assistive Technology Infusion Project		
Improving Teacher Quality State Grants	TR-S1-03	84.367
	TR-S1-04	84.367
Total Improving Teacher Quality State Grants		
Total Department of Education		
U.S. DEPARTMENT OF HUMAN SERVICES <i>Passed Through Ohio Department of MRDD:</i>		
Medical Assistance Program (CAFS)		93.778
Totals		

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>
		12,344	
7,547		7,547	
<u>7,547</u>		<u>19,891</u>	
4,423			
88,913		77,177	
<u>93,336</u>		<u>77,177</u>	
<u>816,371</u>		<u>712,421</u>	
28,359		28,359	
<u>\$ 962,806</u>	<u>\$ 58,100</u>	<u>\$ 858,856</u>	<u>\$ 58,100</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Schedule of Federal Awards Receipts and Expenditures
Fiscal Year Ended June 30, 2004**

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



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the Government's basic financial statements and have issued our report thereon dated April 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 29, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated April 29, 2005, we reported an other matter related to noncompliance we deemed immaterial.

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

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

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

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

Betty Montgomery
Auditor of State

April 29, 2005



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of Paulding Exempted Village School District, Paulding County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Paulding Exempted Village School District, Paulding County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

April 29, 2005

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**Schedule of Findings
OMB Circular A -133 § .505
June 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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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
MAY 24, 2005**