



**PAULDING EXEMPTED VILLAGE
SCHOOL DISTRICT
PAULDING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**PAULDING EXEMTPED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paulding Exempted Village School District, Paulding County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Paulding Exempted Village School District, Paulding County, Ohio, as of June 30, 2009 and the respective changes in cash financial position and the respective budgetary comparison for the General and Ohio School Facilities Commission Maintenance funds thereof for the year then ended in conformity with the basis of accounting in Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Mary Taylor, CPA
Auditor of State

December 3, 2009

PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

The discussion and analysis of Paulding Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights for fiscal year 2009 are as follows:

In total, net assets of the District increased \$856,533 or 34 percent.

The District contracted with Vantage Career Center to satellite the career tech classes. This allowed the district to transfer two teacher salaries to Vantage and split the profit of \$45,858 between the two.

The District passed an Emergency renewal levy for Operating Expenses in November 2008. The Emergency levy collects \$418,250.

The Board of Education approved a three-year negotiated agreement with both the certified and classified employees effective July 1, 2009 through June 30, 2012. The agreements provided a pay increase in fiscal year 2010 and the unions will return to negotiations regarding salaries during fiscal years 2011 and 2012 for the remaining year of the agreement.

USING THIS ANNUAL REPORT

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

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

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

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

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

PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

REPORTING THE SHOOOL DISTRICT'S MOST SIGNIFICANT FUNDS

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

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

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

PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the District's net assets for fiscal year 2009 and fiscal year 2008.

Table 1
Net Assets

	Governmental Activities	
	2009	2008
<u>Assets:</u>		
Cash and Cash Equivalents	\$3,394,644	\$2,538,111
<u>Net Assets:</u>		
Restricted	1,436,921	1,504,408
Unrestricted	1,957,723	1,033,703
Total Net Assets	\$3,394,644	\$2,538,111

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

Table 2 reflects the change in net assets for fiscal year 2009 and fiscal year 2008.

Table 2
Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
<u>Receipts:</u>		
Program Receipts		
Charges for Services	\$580,487	\$625,704
Operating Grants, Contributions, and Interest	2,577,584	2,308,280
Capital Grants and Contributions	28,481	13,293
Total Program Receipts	3,186,552	2,947,277
General Receipts		
Property Taxes Levied for General Purposes	3,012,190	3,168,092
Property Taxes Levied for Classroom Facilities Maintenance	57,449	61,651
Property Taxes Levied for Debt Service	509,248	534,162
Property Taxes Levied for Permanent Improvement	130,576	136,965
Income Taxes	1,720,822	1,784,710

PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

Payment in Lieu of Taxes	9,625	28,196
Grants and Entitlements	8,557,722	8,660,781
Interest	60,098	120,896
Premium on Sale of Bonds		184,368
Sale of Refunding Bonds		2,924,999
Miscellaneous	<u>127,739</u>	<u>52,669</u>
Total General Receipts	<u>14,185,469</u>	<u>17,657,489</u>
Total Receipts	<u>17,372,021</u>	<u>20,604,766</u>
<u>Disbursements:</u>		
Instruction:		
Regular	7,736,535	7,773,210
Special	1,752,772	1,724,212
Vocational	14,732	186,556
Support Services:		
Pupils	647,626	663,731
Instructional Staff	635,804	705,132
Board of Education	65,277	60,285
Administration	1,136,385	1,158,128
Fiscal	493,422	497,434
Business	84,005	85,218
Operation and Maintenance of Plant	1,303,194	1,202,512
Pupil Transportation	841,416	919,694
Central	5,750	4,833
Noninstructional Services	582,147	579,629
Extracurricular Activities	424,456	438,389
Capital Outlay	198,906	141,835
Debt Service:		
Principal Retirement	380,000	355,000
Interest and Fiscal Charges	213,061	164,508
Payments to Escrow Agents		72,120
Refunding to Bond Escrow Agent		3,030,593
Refunding Bond Issuance Cost		<u>77,826</u>
Total Disbursements	<u>16,515,488</u>	<u>19,840,845</u>
Increase in Net Assets	856,533	763,921
Net Assets at Beginning of Year	<u>2,538,111</u>	<u>1,774,190</u>
Net Assets at End of Year	<u>\$3,394,644</u>	<u>\$2,538,111</u>

Program receipts represent 18 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, sports-related activity fees, and food service sales.

PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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Property taxes, income taxes, and grants and entitlements make up 99 percent of the District's general receipts.

Receipts decreased by 15 percent mainly to due to debt financing in 2008.

The major program disbursements for governmental activities are for instruction, which account for 58 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, administration, operation and maintenance of plant, and transportation account for 28 percent of governmental disbursements.

Disbursements decreased by 17 percent mainly to due to debt refinancing in 2008.

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

Table 3
Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Instruction:				
Regular	\$7,736,535	\$7,223,512	\$7,773,210	\$7,368,362
Special	1,752,772	473,066	1,724,212	119,039
Vocational	14,732	(2,187)	186,556	137,301
Support Services:				
Pupils	647,626	556,097	663,731	590,768
Instructional Staff	635,804	394,272	705,132	705,132
Board of Education	65,277	65,277	60,285	60,285
Administration	1,136,385	1,050,776	1,158,128	1,158,128
Fiscal	493,422	493,422	497,434	497,434
Business	84,005	84,005	85,218	85,218
Operation and Maintenance of Plant	1,303,194	1,303,194	1,202,512	1,157,479
Pupil Transportation	841,416	749,312	919,694	893,109
Central	5,750	5,750	4,833	1,260
Noninstructional Services	582,147	(89,286)	579,629	(60,659)
Extracurricular Activities	424,456	341,196	438,389	338,830
Capital Outlay	198,906	198,906	141,835	141,835
Debt Service:				
Principal Retirement	380,000	343,226	355,000	355,000
Interest and Fiscal Charges	213,061	138,398	164,508	164,508
Payments to Escrow Agents			72,120	72,120

PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

Refunding Bond Issuance Cost		3,030,593	3,030,593
Refunding Bond Issuance Cost	<u> </u>	<u>77,826</u>	<u>77,826</u>
Total Disbursements	<u>\$16,515,488</u>	<u>13,328,936</u>	<u>\$19,840,845</u>

Instructional activities were supported by tax receipts and unrestricted grants and entitlements by 81 percent. Special and vocational instruction activities are partially provided for through operating grants.

Noninstructional services include food service activities. All noninstructional services were provided for through program receipts for fiscal year 2009. The majority of the program receipts associated with noninstructional services includes cafeteria sales and state and federal subsidies for food service.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

For fiscal year 2009, the District's receipts exceeded disbursements in the General Fund due in large part to the reduction in staffing levels. As a result, there was an 89 percent increase in fund balance.

BUDGETARY HIGHLIGHTS

The District prepares an annual budget of receipts and disbursements for all funds of the District for use by District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of July. The District's most significant budgeted fund is the General Fund. During fiscal year 2009, the District amended its General Fund budget as needed.

Changes in estimated receipts and appropriations from the original budget to the final budget were not significant. Actual revenues and disbursements did not significantly differ from the final budget.

DEBT ADMINISTRATION

The District had general obligation bonds outstanding, in the amount of \$5,267,914, which will be repaid from a voted property tax levy of 3.9 mills. For further information regarding the District's long-term obligations, refer to Note 13 to the basic financial statements.

REQUEST FOR INFORMATION

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

Paulding Exempted Village School District
Statement of Net Assets - Cash Basis
June 30, 2009

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,394,644</u>
<u>Net Assets:</u>	
Restricted for:	
Debt Service	\$277,491
Capital Projects	445,654
Other Purposes	713,776
Unrestricted	<u>1,957,723</u>
Total Net Assets	<u>\$3,394,644</u>

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2009

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Current:					
Instruction:					
Regular	\$7,736,535	\$81,803	\$431,220		(\$7,223,512)
Special	1,752,772	108	1,279,598		(473,066)
Vocational	14,732	3,694	13,225		2,187
Support Services:					
Pupils	647,626	57,408	34,121		(556,097)
Instructional Staff	635,804		241,532		(394,272)
Board of Education	65,277				(65,277)
Administration	1,136,385		85,609		(1,050,776)
Fiscal	493,422				(493,422)
Business	84,005				(84,005)
Operation and Maintenance of Plant	1,303,194				(1,303,194)
Pupil Transportation	841,416		63,623	\$28,481	(749,312)
Central	5,750				(5,750)
Noninstructional Services	582,147	354,214	317,219		89,286
Extracurricular Activities	424,456	83,260			(341,196)
Capital Outlay	198,906				(198,906)
Debt Service:					
Principal Retirement	380,000		36,774		(343,226)
Interest and Fiscal Charges	213,061		74,663		(138,398)
Total Governmental Activities	\$16,515,488	\$580,487	\$2,577,584	\$28,481	(13,328,936)
<u>General Receipts:</u>					
Property Taxes Levied for:					
General Purposes					3,012,190
Classroom Facilities Maintenance					57,449
Debt Service					509,248
Permanent Improvement					130,576
Income Taxes					1,720,822
Payment in Lieu of Taxes					9,625
Grants and Entitlements not Restricted to Specific Programs					8,557,722
Interest					60,098
Miscellaneous					127,739
Total General Receipts					14,185,469
Change in Net Assets					856,533
Net Assets at Beginning of Year					2,538,111
Net Assets at End of Year					\$3,394,644

Paulding Exempted Village School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2009

	General	Ohio School Facilities Commission Maintenance	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$1,957,723	\$371,364	\$445,654	\$619,903	\$3,394,644
<u>Fund Balances:</u>					
Reserved for Encumbrances	\$82,990	\$18,176	\$10,477	\$7,670	\$119,313
Unreserved, Reported in:					
General Fund	1,874,733				1,874,733
Special Revenue Funds		353,188		334,742	687,930
Debt Service Fund				277,491	277,491
Capital Projects Fund			435,177		435,177
Total Fund Balances	\$1,957,723	\$371,364	\$445,654	\$619,903	\$3,394,644

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	Ohio School Facilities				Total Governmental Funds
	General	Commission Maintenance	Permanent Improvement	Other Governmental	
<u>Receipts:</u>					
Property Taxes	\$3,012,190	\$57,449	\$130,576	\$509,248	\$3,709,463
Income Taxes	1,720,822				1,720,822
Payment in Lieu of Taxes	9,625				9,625
Intergovernmental	9,607,367	61,044	34,792	1,443,757	11,146,960
Interest	59,205			3,724	62,929
Tuition and Fees	87,051				87,051
Extracurricular Activities				132,889	132,889
Charges for Services				361,993	361,993
Gifts and Donations				12,550	12,550
Miscellaneous	122,811			4,928	127,739
Total Receipts	14,619,071	118,493	165,368	2,469,089	17,372,021
<u>Disbursements:</u>					
Current:					
Instruction:					
Regular	7,526,136			210,399	7,736,535
Special	1,309,703			443,069	1,752,772
Vocational	14,732				14,732
Support Services:					
Pupils	550,636			96,990	647,626
Instructional Staff	372,516			263,288	635,804
Board of Education	65,277				65,277
Administration	1,043,916			92,469	1,136,385
Fiscal	460,241	2,792	6,202	24,187	493,422
Business	84,005				84,005
Operation and Maintenance of Plant	1,139,196	163,998			1,303,194
Pupil Transportation	800,072			41,344	841,416
Central	500			5,250	5,750
Noninstructional Services	1,644			580,503	582,147
Extracurricular Activities	326,061			98,395	424,456
Capital Outlay			192,703	6,203	198,906
Intergovernmental					
Debt Service:					
Principal Retirement				380,000	380,000
Interest and Fiscal Charges				213,061	213,061
Total Disbursements	13,694,635	166,790	198,905	2,455,158	16,515,488
Excess of Receipts Over (Under) Disbursements	924,436	(48,297)	(33,537)	13,931	856,533
<u>Other Financing Sources (Uses):</u>					
Advances In	21,891			22,307	44,198
Advances Out	(22,307)			(21,891)	(44,198)
Total Other Financing Sources (Uses)	(416)			416	
Changes in Fund Balances	924,020	(48,297)	(33,537)	14,347	856,533
Fund Balances at Beginning of Year	1,033,703	419,661	479,191	605,556	2,538,111
Fund Balances at End of Year	\$1,957,723	\$371,364	\$445,654	\$619,903	\$3,394,644

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$2,938,182	\$2,938,182	\$3,012,190	\$74,008
Income Taxes	1,817,509	1,817,509	1,720,822	(96,687)
Payment in Lieu of Taxes	11,000	11,000	9,625	(1,375)
Intergovernmental	9,636,707	9,636,707	9,607,367	(29,340)
Interest	70,000	70,000	59,205	(10,795)
Tuition and Fees	76,150	76,450	87,051	10,601
Miscellaneous	29,000	29,000	122,811	93,811
Total Receipts	14,578,548	14,578,848	14,619,071	40,223
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	7,212,276	7,735,970	7,544,197	191,773
Special	1,380,321	1,389,621	1,309,870	79,751
Vocational	10,046	10,046	14,732	(4,686)
Support Services:				
Pupils	549,981	572,181	550,964	21,217
Instructional Staff	329,727	334,127	374,788	(40,661)
Board of Education	59,676	72,776	65,515	7,261
Administration	1,069,920	1,076,720	1,045,802	30,918
Fiscal	443,841	460,141	460,539	(398)
Business	83,541	84,041	84,407	(366)
Operation and Maintenance of Plant	1,152,406	1,173,677	1,187,526	(13,849)
Pupil Transportation	839,105	929,334	811,080	118,254
Central	760	760	500	260
Noninstructional Services	754	1,264	1,644	(380)
Extracurricular Activities	317,794	330,794	326,061	4,733
Total Disbursements	13,450,148	14,171,452	13,777,625	393,827
Excess of Receipts Over Disbursements	1,128,400	407,396	841,446	434,050
<u>Other Financing Sources (Uses):</u>				
Advances In		21,891	21,891	
Advances Out		(22,307)	(22,307)	
Total Other Financing Sources (Uses)		(416)	(416)	
Changes in Fund Balance	1,128,400	406,980	841,030	434,050
Fund Balance at Beginning of Year	967,761	967,761	967,761	
Prior Year Encumbrances Appropriated	65,942	65,942	65,942	
Fund Balance at End of Year	\$2,162,103	\$1,440,683	\$1,874,733	\$434,050

See Accompanying Notes to the Basic Financial Statements

Paulding Exempted Village School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Ohio School Facilities Maintenance Special Revenue Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$60,000	\$60,000	\$57,449	(\$2,551)
Intergovernmental	92,300	92,300	61,044	(31,256)
Total Receipts	152,300	152,300	118,493	(33,807)
<u>Disbursements:</u>				
Current:				
Support Services:				
Fiscal	24,900	4,900	4,900	
Operation and Maintenance of Plant	134,323	180,501	180,066	435
Total Disbursements	159,223	185,401	184,966	435
Excess of Receipts Over Disbursements	(6,923)	(33,101)	(66,473)	(33,372)
Fund Balance at Beginning of Year	370,461	370,461	370,461	
Prior Year Encumbrances Appropriated	49,200	49,200	49,200	
Fund Balance at End of Year	\$412,738	\$386,560	\$353,188	(\$33,372)

See Accompanying Notes to the Basic Financial Statements

Paulding Exempted Village School District
Statement of Cash Basis Fiduciary Net Assets
Agency Funds
June 30, 2009

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$66,891</u></u>
 <u>Liabilities:</u>	
Due to Students	\$64,143
Undistributed Assets	<u>2,748</u>
 Total Liabilities	 <u><u>\$66,891</u></u>

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the District and Reporting Entity

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

The District was established through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred seventy-eight square miles. It is located in Paulding County. It is staffed by seventy-eight classified employees, one hundred seventeen certified teaching personnel, and eleven administrative employees who provide services to 1,700 students and other community members. The District currently operates four instructional buildings.

Reporting Entity

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

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

The District participates in three jointly governed organizations and two insurance pools. These organizations are the Educational Regional Services System (ERSS), Northwest Ohio Area Computer Services Cooperative, Vantage Career Center, Northwest Ohio Educational Council Insurance Pool Program, and the Paulding County School Consortium's Employee Insurance Benefits Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District did not have any trust funds in fiscal year 2009. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for staff generated revenues for noninstructional activities and various student-managed activities.

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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

During fiscal year 2009, the District's investments included nonnegotiable certificates of deposit, repurchase agreements, and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

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 2009 was \$59,205, which included \$24,866 assigned from other District funds.

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

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

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

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, adult education programs, vocational programs, and federal and state grants restricted to expenditure for specified purposes. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation as of June 30, 2009.

M. Fund Balance Reserves

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

N. Interfund Activity

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

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

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

Note 3 – Budgetary Basis Of Accounting

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

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

General Fund	\$82,990
Ohio School Facilities Commission Maintenance Fund	18,176

Note 4 - Deposits and Investments

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

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

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

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

Paulding Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

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

Paulding Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Investments

As of June 30, 2009, the District had the following investments:

Investments	Carrying Value	Credit Rating	Investments Maturity Less Than 1 Year	% of Investment Balance
Star Ohio	\$2,401,786	AAAm	\$2,401,786	71%
Repurchase Agreement	958,619	N/A	958,619	29%
	<u>\$3,360,405</u>		<u>\$3,360,405</u>	<u>100%</u>

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

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

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment in the repurchase agreement in the amount of \$958,619 is exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty's trust department or agent in the District's name. The District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

Paulding Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The District receives property taxes from Paulding County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Paulding Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$136,014,740	87.14%	\$139,725,780	92.18%
Public Utility	11,519,180	7.38	11,369,776	7.51
Tangible Personal	8,556,440	5.48	475,667	.31
Total Assessed Value	<u>\$156,090,360</u>	<u>100.00%</u>	<u>\$151,571,223</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$34.35	

Note 6 - Income Taxes

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

Note 7 - Payment in Lieu of Taxes

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

Note 8 - Interfund Balances

The TANF grant fund repaid an interfund cash advance of \$21,891 to General fund in 2009. At June 30, 2009, the General Fund had an unpaid interfund cash advance due in the amount of \$22,307 from the TANF grant fund. This advance was made to provide cash flow resources until the receipt of grant monies.

Note 9 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District contracted for the following insurance coverage.

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

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
Building and Contents	52,774,242

Paulding Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Coverage provided by American Alternative 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.

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

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

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

Note 10 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

Paulding Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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, 2009, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2009, 2008, and 2007 was \$873,638, \$812,524, and \$818,039, respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2008 and 2007.

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2009 was 14 percent of annual covered payroll; 9.16 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$146,167, \$129,108, and \$141,205, respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2008 and 2007.

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, 2009, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$24,951.

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

The District's contributions for health care benefits, including the surcharge, for the fiscal years ended June 30, 2009, 2008, and 2007 were \$91,651, \$61,811, and \$72,530, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, was \$10,532, \$10,459, and \$11,354 respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$67,203, \$62,501, and \$62,926 respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

Paulding Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 12 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Note 13 - Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 2009 were as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3 - 5%	\$2,330,000			\$2,330,000	\$350,000
Capital Appreciation Bonds 9.39%	178,377		\$178,377		
Capital Appreciation Bond Accretion	<u>176,623</u>		<u>176,623</u>		
Total Series 2001	<u>2,685,000</u>		<u>355,000</u>	<u>2,330,000</u>	<u>350,000</u>
2007 School Refinancing Bonds					
Serial Bonds 3.75 – 4%	2,725,000		25,000	2,700,000	35,000
Capital Appreciation Bonds 10.90%	199,999			199,999	
Capital Appreciation Bond Accretion	<u>28,929</u>	<u>\$8,986</u>		<u>37,915</u>	
Total Series 2007	<u>2,953,928</u>	<u>8,986</u>	<u>25,000</u>	<u>2,937,914</u>	<u>35,000</u>
Total General Obligation Bonds	<u>\$5,638,928</u>	<u>\$8,986</u>	<u>\$380,000</u>	<u>\$5,267,914</u>	<u>\$385,000</u>
	=====	=====	=====	=====	=====

Paulding Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

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

On November 13, 2007, the District issued \$2,924,999 in general obligation bonds to partially refund general obligation bonds previously issued for the construction and improvement to instructional buildings in 2001. The serial refunding bonds have interest rates ranging from 3.75 to 4 percent and the capital appreciation bonds have an interest rate of 10.9 percent. The bonds refunded \$2,925,000 of the 2001 School Improvement general obligation bonds. The District contributed \$72,120 towards the refunding of this debt. A premium, in the amount of \$184,368, was received from the issuance of the new bonds. The net proceeds of \$3,030,593 plus the District's contribution of \$72,120 (after payments of \$78,774 in underwriter fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. The refunding will save \$111,011 in interest payments over the life of the debt issue.

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

The capital appreciation bonds will mature in fiscal year 2015. The maturity amount for the bonds is \$470,000. For fiscal year 2009, \$8,986 was accreted for a total bond value of \$237,914.

The District's overall debt margin was \$7,347,361 with an unvoted debt margin of \$139,748 at June 30, 2009.

Paulding Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2009, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2010	\$385,000	\$204,455		
2011	405,000	187,526		
2012	425,000	169,435		
2013	405,000	151,004		
2014	430,000	131,989		
2015-2019	1,920,000	429,052	\$199,999	\$270,001
2020-2021	1,060,000	42,800		
Totals	<u>\$5,030,000</u>	<u>\$1,316,261</u>	<u>\$199,999</u>	<u>\$270,001</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 14 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009

	Textbooks	Capital Improvements
Balance June 30, 2008	(\$2,208)	
Current Year Set Aside Requirement	256,415	\$256,415
Qualifying Expenditures	(302,137)	(91,739)
Offsets		(188,024)
Balance June 30, 2009	<u>(\$47,930)</u>	<u>(\$23,348)</u>
Amount Carried Forward to Fiscal Year 2010	<u>(\$47,930)</u>	

The District had qualifying expenditures during the fiscal year that reduced the textbook setaside amount below zero. This amount may be used to reduce the set aside requirements of future fiscal years. Although the District had qualifying offsets and disbursements during the fiscal year that reduced the set aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

Note 15 - Jointly Governed Organizations

A. The Educational Regional Services System

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

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

B. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2009, the District paid \$26,274 to the NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

C. Vantage Career Center

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

Note 16 - Insurance Pools

A. Northwest Ohio Educational Council Insurance Pool Program

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

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

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

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

Note 17 - Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

B. Litigation

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
<u>Non-cash Assistance (Food Distribution):</u>			
National School Lunch Program	10.555	\$ 71,856	\$ 71,856
<u>Cash Assistance:</u>			
National School Lunch Program	10.555	247,778	247,778
Total National School Lunch Program		<u>319,634</u>	<u>319,634</u>
School Breakfast Program	10.553	45,488	45,488
Special Milk Program for Children	10.556	1,975	1,975
Total Nutrition Cluster		<u>367,097</u>	<u>367,097</u>
Child and Adult Care Meal Program	10.558	1,816	1,816
Total U.S. Department of Agriculture		<u>368,913</u>	<u>368,913</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	230,270	257,143
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	290,043	333,044
Special Education Preschool Grants	84.173	34,376	34,088
Total Special Education Cluster		<u>324,419</u>	<u>367,132</u>
Safe and Drug Free Schools and Communities State Grant	84.186	5,361	4,289
State Grants for Innovative Programs	84.298	2,618	20
Education Technology State Grants	84.318	2,537	3,489
Improving Teacher Quality State Grants	84.367	77,292	77,292
Total Department of Education		<u>642,497</u>	<u>709,365</u>
Totals		<u>\$ 1,011,410</u>	<u>\$ 1,078,278</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The government reports commodities consumed on the Schedule at the fair value.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paulding Exempted Village School District, Paulding County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2009, wherein, we noted the District followed the cash accounting basis rather than generally accepted accounting principles, contrary to Ohio law. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted a certain matter that we reported to the District's management in a separate letter dated December 3, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

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

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



Mary Taylor, CPA
Auditor of State

December 3, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Paulding Exempted Village School District, Paulding County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. 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, 2009.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

December 3, 2009

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: National School Lunch Program CFDA 10.555 School Breakfast Program CFDA 10.553 Special Milk Program for Children CFDA 10.556
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2009-001

Noncompliance Citation

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

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. For 2009, the District prepared its financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Administrative Code § 117-2-03(B) – Not reporting on GAAP.	No	Not corrected. Reissued as finding 2009-001 in this report.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 18, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

December 3, 2009



Mary Taylor, CPA
Auditor of State

PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 22, 2009**