



Dave Yost • Auditor of State

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2013, the District changed the classification of a certain fund from a governmental fund to a fiduciary fund. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 27, 2014

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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, 2013, 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 2013 are as follows:

In total, net position of the District increased \$335,830 or 5 percent.

In total, the general fund cash balance increased \$429,701 or 8 percent.

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 position and the statement of activities provide information about the cash activities of the whole District.

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2013, within the limitations of cash basis accounting. The statement of net position 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 position and the statement of activities, all of the District's activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, noninstructional services, extracurricular activities, capital outlay, and intergovernmental disbursements.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the District's net position for fiscal year 2013 and fiscal year 2012.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Table I
Net Position
Governmental Activities

	2013	2012 Restated
<u>Assets:</u>		
Cash and Cash Equivalents	\$6,652,460	\$6,316,630
<u>Net Position</u>		
Restricted	1,166,688	1,260,559
Unrestricted	5,485,772	5,056,071
Total Net Position	\$6,652,460	\$6,316,630

Restricted Net Position decreased and Unrestricted Net Position increased in fiscal year 2013. The increase in unrestricted is due to increased revenues in property taxes and intergovernmental revenue.

Table 2 reflects the change in net position for fiscal year 2013 and fiscal year 2012.

Table 2
Change in Net Assets
Governmental Activities

	2013	2012 Restated
<u>Receipts:</u>		
Program Receipts		
Charges for Services	\$618,729	\$691,321
Operating Grants, Contributions, and Interest	1,715,780	2,071,299
Total Program Receipts	2,334,509	2,762,620
General Receipts		
Property Taxes Levied for General Purposes	3,408,891	3,371,037
Property Taxes Levied for Classroom Facilities Maintenance	60,066	59,331
Property Taxes Levied for Debt Service	577,885	571,974
Property Taxes Levied for Permanent Improvement	148,177	146,660
Income Taxes	1,667,293	1,681,038
Grants and Entitlements Not Restricted to Specific Programs	9,731,912	9,300,402
Sale of Refunding Bonds		1,185,000
Premium on Sale of Refunding Bonds		19,975
Insurance Proceeds	23,763	2,699
Interest	28,356	33,794
Miscellaneous	67,442	42,647
Total General Receipts	15,713,785	16,414,557
Total Receipts	\$18,048,294	\$19,177,177

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

	2013	2012 - Restated
<u>Disbursements:</u>		
Instruction:		
Regular	\$6,149,089	\$6,053,512
Special	2,605,514	1,928,741
Vocational	1,479	2,285
Other	1,637,536	1,407,933
Support Services:		
Pupils	835,022	797,856
Instructional Staff	597,363	911,810
Board of Education	88,278	63,744
Administration	951,371	1,028,340
Fiscal	464,749	495,733
Operation of Maintenance of Plant	1,451,305	1,326,092
Pupil Transportation	1,012,608	954,748
Central	6,447	80,474
Noninstructional Services	758,724	641,591
Extracurricular Activities	506,385	519,831
Capital Outlay	108,099	623,995
Debt Service:		
Principal Retirement	415,000	2,010,000
Interest and Fiscal Charges	123,495	159,201
Refunding Bond Issuance Cost		19,975
Total Disbursements	17,712,464	19,025,861
Increase in Net Position	335,830	151,316
Net Position at Beginning of Year - Restated	6,316,630	6,165,314
Net Position at End of Year	\$6,652,460	\$6,316,630

Program receipts represent 13 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, sports-related activity fees, and food service sales.

Property taxes, income taxes, and grants and entitlements make up 99 percent of the District's general receipts.

The major program disbursements for governmental activities are for instruction, which account for 59 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 27 percent of governmental disbursements.

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. There was a significant decrease in principal retirement in fiscal 2013 due to the District refunding bonds in fiscal year 2012.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Service	Total Cost of Services - Restated	Net Cost of Service - Restated
	2013	2013	2012	2012
<u>Disbursements:</u>				
Instruction:				
Regular	\$6,149,089	\$5,811,461	\$6,053,512	\$5,739,680
Special	2,605,514	1,921,733	1,928,741	1,244,999
Vocational	1,479	(6,616)	2,285	(7,875)
Other	1,637,536	1,637,536	1,407,933	1,407,933
Support Services:				
Pupils	835,022	675,360	797,856	445,884
Instructional Staff	597,363	446,151	911,810	550,318
Board of Education	88,278	88,278	63,744	63,744
Administration	951,371	866,330	1,028,340	935,634
Fiscal	464,749	464,749	495,733	495,733
Operation of Maintenance of Plant	1,451,305	1,448,688	1,326,092	1,326,092
Pupil Transportation	1,012,608	1,007,108	954,748	954,748
Central	6,447		80,474	77,255
Noninstructional Services	758,724	111,465	641,591	(42,565)
Extracurricular Activities	506,385	369,751	519,831	359,007
Capital Outlay	108,099	108,099	623,995	623,995
Debt Service:				
Principal Retirement	415,000	341,996	2,010,000	1,936,623
Interest and Fiscal Charges	123,495	85,866	159,201	132,061
Refunding Bond Issuance Cost			19,975	19,975
Total Disbursements	<u>\$17,712,464</u>	<u>\$15,377,955</u>	<u>\$19,025,861</u>	<u>\$16,263,241</u>

Instructional activities were supported by tax receipts and unrestricted grants and entitlements by 90 percent. Special and vocational instruction activities are partially provided for through operating grants.

Noninstructional services include food service activities. 85 percent of noninstructional services were provided for through program receipts for fiscal year 2013. 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 fund is the General fund.

For fiscal year 2013, the District's receipts exceeded disbursements in the General fund primarily due to the reduction in transportation costs and supplanting General fund money with Education Jobs federal money. As a result, there was an 8 percent increase in fund balance.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

DEBT ADMINISTRATION

At June 30, 2013, the District's outstanding debt consisted of general obligation bonds, in the amount of \$3,763,736, issued for building construction and improvement. For further information regarding the District's debt, refer to Note 12 to the basic financial statements.

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 2013, 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.

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 wellbeing. Questions concerning any of the information provided in this report or requests for additional information should be directed to Maria Rellinger, Treasurer/CFO, 405 North Water Street, Paulding, Ohio 45879-1251.

Paulding Exempted Village School District
Paulding County

Statement of Net Position - Cash Basis
June 30, 2013

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,652,460</u>
 <u>Net Position:</u>	
Restricted for:	
Debt Service	\$545,037
Capital Projects	161,265
Other Purposes	460,386
Unrestricted	<u>5,485,772</u>
 Total Net Position	 <u>\$6,652,460</u>

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Paulding County

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2013

	Program Receipts			Net (Disbursement) Receipt and Change in Net Position
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Current:				
Instruction:				
Regular	\$6,149,089	\$68,403	\$269,225	(\$5,811,461)
Special	2,605,514	41	683,740	(1,921,733)
Vocational	1,479	4,579	3,516	6,616
Other	1,637,536			(1,637,536)
Support Services:				
Pupils	835,022	147,651	12,011	(675,360)
Instructional Staff	597,363		151,212	(446,151)
Board of Education	88,278			(88,278)
Administration	951,371		85,041	(866,330)
Fiscal	464,749			(464,749)
Operation and Maintenance of Plant	1,451,305		2,617	(1,448,688)
Pupil Transportation	1,012,608		5,500	(1,007,108)
Central	6,447		6,447	
Non-Instructional Services	758,724	261,421	385,838	(111,465)
Extracurricular Activities	506,385	136,634		(369,751)
Capital Outlay	108,099			(108,099)
Debt Service:				
Principal	415,000		73,004	(341,996)
Interest	123,495		37,629	(85,866)
Total Governmental Activities	<u>\$17,712,464</u>	<u>\$618,729</u>	<u>\$1,715,780</u>	<u>(15,377,955)</u>
<u>General Receipts:</u>				
Property Taxes Levied for:				
General Purposes				3,408,891
Classroom Facilities Maintenance				60,066
Debt Service				577,885
Permanent Improvement				148,177
Income Taxes				1,667,293
Grants and Entitlements not Restricted to Specific Programs				9,731,912
Insurance Proceeds				23,763
Interest				28,356
Miscellaneous				67,442
Total General Receipts				<u>15,713,785</u>
Change in Net Position				335,830
Restated Net Position at Beginning of Year				<u>6,316,630</u>
Net Position at End of Year				<u>\$6,652,460</u>

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Paulding County

Statement of Cash Basis Assets and Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	<u>\$5,485,772</u>	<u>\$1,166,688</u>	<u>\$6,652,460</u>
 <u>Fund Balances:</u>			
Restricted		\$1,013,823	\$1,013,823
Committed		161,265	161,265
Assigned	\$166,037		166,037
Unassigned (Deficit)	<u>5,319,735</u>	<u>(8,400)</u>	<u>5,311,335</u>
Total Fund Balances	<u>\$5,485,772</u>	<u>\$1,166,688</u>	<u>\$6,652,460</u>

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Paulding County

Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General Fund	All Other Governmental Funds	Total Governmental Funds
RECEIPTS:			
Property and Other Local Taxes	\$3,408,891	\$786,128	\$4,195,019
Income Tax	1,667,293		1,667,293
Intergovernmental	9,672,445	1,662,662	11,335,107
Interest	28,211	145	28,356
Tuition and Fees	240,835		240,835
Rent	16,746		16,746
Extracurricular Activities	71,364	99,500	170,864
Customer Sales and Services		298,553	298,553
Miscellaneous	61,442	6,000	67,442
<i>Total Receipts</i>	<u>15,167,227</u>	<u>2,852,988</u>	<u>18,020,215</u>
DISBURSEMENTS:			
Current:			
Instruction:			
Regular	6,128,826	20,263	6,149,089
Special	1,802,180	803,334	2,605,514
Vocational	1,479		1,479
Other	1,637,536		1,637,536
Support Services:			
Pupils	823,011	12,011	835,022
Instructional Staff	446,152	151,211	597,363
Board of Education	88,278		88,278
Administration	866,329	85,042	951,371
Fiscal	433,247	31,502	464,749
Operation and Maintenance of Plant	1,232,733	218,572	1,451,305
Pupil Transportation	934,107	78,501	1,012,608
Central		6,447	6,447
Operation of Non-Instructional:			
Food Service Operations	192	757,860	758,052
Community Services		672	672
Extracurricular Activities	356,538	149,847	506,385
Capital Outlay		108,099	108,099
Debt Service:			
Principal		415,000	415,000
Interest		123,495	123,495
<i>Total Disbursements</i>	<u>14,750,608</u>	<u>2,961,856</u>	<u>17,712,464</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>416,619</u>	<u>(108,868)</u>	<u>307,751</u>
OTHER FINANCING SOURCES AND USES:			
Transfers In	584		584
Advances In	3,219	2,636	5,855
Proceeds from Sale of Capital Assets	3,626		3,626
Insurance Recoveries	8,289	15,474	23,763
Refund of Prior Year Expenditures		106	106
Advances Out	(2,636)	(3,219)	(5,855)
<i>Total Other Financing Sources and Uses</i>	<u>13,082</u>	<u>14,997</u>	<u>28,079</u>
<i>Net Change in Fund Balances</i>	429,701	(93,871)	335,830
<i>Restated Fund Balances at Beginning of Year</i>	<u>5,056,071</u>	<u>1,260,559</u>	<u>6,316,630</u>
<i>Fund Balances at End of Year</i>	<u>\$5,485,772</u>	<u>\$1,166,688</u>	<u>\$6,652,460</u>

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Paulding County

Statement of Cash Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
RECEIPTS:				
Property and Other Local Taxes	\$3,364,068	\$3,364,068	\$3,408,891	\$44,823
Income Tax	1,731,469	1,731,469	1,667,293	(64,176)
Intergovernmental	9,307,143	9,307,143	9,672,445	365,302
Interest	30,000	30,000	28,211	(1,789)
Tuition and Fees	269,700	269,700	240,835	(28,865)
Rent	1,500	1,500	16,746	15,246
Miscellaneous	50,500	50,500	59,682	9,182
Total Receipts	14,754,380	14,754,380	15,094,103	339,723
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	6,369,375	6,386,142	6,223,459	162,683
Special	1,381,144	1,589,504	1,802,180	(212,676)
Vocational	2,900	2,900	1,479	1,421
Other	1,416,055	1,667,055	1,637,536	29,519
Support Services:				
Pupils	745,769	745,769	762,845	(17,076)
Instructional Staff	574,121	448,626	446,646	1,980
Board of Education	84,250	84,250	88,278	(4,028)
Administration	913,381	904,381	866,329	38,052
Fiscal	443,562	443,562	433,578	9,984
Operation and Maintenance of Plant	1,335,011	1,335,011	1,254,720	80,291
Pupil Transportation	919,032	919,032	946,340	(27,308)
Central	93,865			
Operation of Non-Instructional/Shared Services:				
Food Service Operations	805	805	192	613
Extracurricular Activities:				
Sport Oriented Activities	364,411	364,411	356,538	7,873
Total Disbursements	14,643,681	14,891,448	14,820,120	71,328
Excess (Deficiency) of Receipts Over (Under) Disbursements	110,699	(137,068)	273,983	411,051
OTHER FINANCING SOURCES AND USES:				
Transfers In	20,000	20,000		(20,000)
Advances In			3,219	3,219
Proceeds from Sale of Capital Assets			3,626	3,626
Insurance Recoveries			8,289	8,289
Advances Out			(2,636)	(2,636)
Total Other Financing Sources and Uses	20,000	20,000	12,498	(7,502)
Net Change in Fund Balance	130,699	(117,068)	286,481	403,549
<i>Fund Balance at Beginning of Year</i>	4,948,840	4,948,840	4,948,840	
Prior Year Encumbrances Appropriated	84,437	84,437	84,437	
Fund Balance at End of Year	\$5,163,976	\$4,916,209	\$5,319,758	\$403,549

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Paulding County

Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2013

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$133,434</u>	<u>\$64,158</u>
<u>Liabilities:</u>		
Due to Students		<u>\$64,158</u>
<u>Net Position</u>		
Held in Trust for Scholarships	<u>\$133,434</u>	

See Accompanying Notes to the Basic Financial Statements

Paulding Exempted Village School District
Paulding County

Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2013

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Donations and Interest	<u>\$8,011</u>
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	<u>8,360</u>
<i>Change in Net Position</i>	(349)
<i>Restated Net Position Beginning of Year</i>	<u>133,783</u>
<i>Net Position End of Year</i>	<u><u>\$133,434</u></u>

See Accompanying Notes to the Basic Financial Statements

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Note 1 - Description of the District and Reporting Entity

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

The District was established through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred seventy-eight square miles. It is located in Paulding County. It is staffed by seventy-nine classified employees, one hundred twenty certified teaching personnel, and eleven administrative employees who provide services to 1,574 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, Southwestern Ohio Educational Purchasing Council LFP, 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.

A. Basis of Presentation

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Government-Wide Financial Statements

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major fund is the General fund.

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

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 trust funds are used to hold money

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

designated for scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for staff generated revenues for noninstructional activities and various student-managed activities.

C. Basis of Accounting

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

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

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

D. Budgetary Process

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

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

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

E. Cash and Investments

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

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

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

During fiscal year 2013, the District's investments included repurchase agreements, negotiable certificates of deposit, Federal Securities, 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, 2013.

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 2013 was \$28,211, which included \$5,078 assigned from other District funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

I. Employer Contributions to Cost-Sharing Pension Plans

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

J. Long-Term Obligations

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

K. Net Position

Net position 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 position 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 position are available. There was no net position restricted by enabling legislation as of June 30, 2013.

L. Fund Balance

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

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

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

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

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

Unassigned - Unassigned fund balance is the residual classification for the General fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Interfund Activity

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

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

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 – Accountability and Compliance

A. Change in Accounting Principle

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position.

B. Restatement of Fund Balances

The District's beginning balances have been restated due to a change in the fund classification as of June 30, 2012. In fiscal year 2012, the 007 Scholarship Fund was classified as a Special Revenue Fund. In fiscal year 2013, the 007 Scholarship Fund was classified as a Private Purpose Trust Fund.

The prior period restatement had the following effect on the District's fund balances as previously reported:

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

	General Fund	Other Governmental Funds	Total Governmental Fund	Private Purpose Trust Funds
Fund balance as of June 30, 2012	\$5,056,071	\$1,394,342	\$6,450,413	
Change in Fund Classification		(133,783)	(133,783)	\$133,783
Restated fund balance as of July 1, 2012	\$5,056,071	\$1,260,559	\$6,316,630	\$133,783

C. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and certain funds included in the General fund as part of the GASB 54 requirements are not included in the budgetary statement.

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

<u>Net Change in Fund Cash Balance</u>	
	<u>General Fund</u>
Cash Basis	\$429,701
Funds Budgeted Elsewhere	(13,519)
Adjustment for Encumbrances	(129,701)
Budget Basis	<u>\$286,481</u>

As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

General fund on the cash basis. This includes the uniform school supplies fund and public school support funds.

Note 5 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2); and repurchase agreements secured by such obligations provided investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

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

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

Deposits

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

Investments

As of June 30, 2013, the District had the following investments:

<u>Investments</u>	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Investments Maturity Less Than 1 Year</u>	<u>% of Investment Balance</u>
Star Ohio	\$707	AAAm	\$707	0%
Negotiable CD's	1,735,000	N/A	1,735,000	47%
Federal Securities	249,950	N/A	249,950	7%
Repurchase Agreement	1,663,377	N/A	1,663,377	46%
	<u>\$3,649,034</u>		<u>\$3,649,034</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. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

STAR Ohio carries a rating of AAAM by Standard and Poor's. The District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Repurchase agreements are limited to US Treasury bills, bonds, notes or any other obligation or security issued by the US Treasury or any other obligation guaranteed as to principal and interest by the US and bonds, notes, debentures, or any other obligation or security issued by a federal government agency.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable certificates of deposit are exposed to custodial credit risk in that they are uninsured, unregistered and held by a counterparty (Multi-Bank Securities) but not in the District's name. The District's investment in the repurchase agreement in the amount of \$1,663,377 is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. 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.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time.

Note 6 - 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 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

The District receives property taxes from Paulding County and Putnam County. The Paulding 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2013 taxes were collected are:

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

	<u>2012 Second-Half Collections</u>		<u>2013 First-Half Collections</u>	
Real Estate	\$155,590,270	92.12%	\$156,233,250	92.32%
Public Utility	13,305,090	7.88%	12,995,510	7.68%
Total Assessed Value	<u>\$168,895,360</u>	<u>100%</u>	<u>\$169,228,760</u>	<u>100%</u>
Tax Rate Per \$1,000 of Assessed Valuation	\$35.32		\$35.32	

Note 7 - Income Taxes

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

Note 8 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District contracted for the following insurance coverage.

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

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
Building and Contents	1,000,000
Boiler and Machinery	250,000,000

Coverage provided by Travelers Indemnity Company is as follows:

Excess Property	\$350,000,000
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Coverage provided by Genesis Insurance Corporation is as follows:

Excess Liability	\$5,000,000
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Coverage provided by Illinois National Insurance Company is as follows:

School Board Legal Liability	\$1,000,000
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The District participates in the Southwestern Ohio Educational Purchasing Council LFP (Program), an insurance purchasing pool consisting of fifty-one school districts. 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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

exempted village school district. The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program.

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

Note 9 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$217,418, \$204,938 and \$195,755, respectively; 67.68 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$908,158, \$908,041 and \$911,662, respectively; 91.85 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, one member of the Board of Education has elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 10 – Postemployment Benefits

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$27,219, \$34,674 and \$49,235, respectively; 96.85 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$12,282, \$12,103 and \$12,597, respectively; 67.68 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" 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 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$69,858, \$69,849 and \$70,128, respectively; 91.85 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Note 11 - Other Employee Benefits

A. Compensated Absences

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated without limit for all employees. Upon retirement, payment is made for a maximum of forty-five days and 5 percent of any accrued but unused sick leave credit in excess of forty-five days for certified employees and for a maximum of forty-one days and 5 percent of any accrued but unused sick leave credit in excess of forty-one days for classified employees. In addition, employees will be paid additional days based on twenty-five percent of the difference between maximum sick days earned the last 5 years and the amount used the last 5 years prior to retirement.

B. Health Care Benefits

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

Note 12 - Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 2013 were as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds -					
2011 School Improvement					
Serial Bonds 1.91%	\$1,185,000		\$385,000	\$800,000	\$395,000
2007 School Refinancing Bonds					
Serial Bonds 3.75 - 4%	2,630,000		30,000	2,600,000	35,000
Capital Appreciation Bonds 10.90%	199,999			199,999	
Capital Appreciation Bond Accretion	127,109	\$36,628		163,737	
Total 2007 School Refinancing Bonds	<u>2,957,108</u>	<u>36,628</u>	<u>30,000</u>	<u>2,963,736</u>	<u>35,000</u>
Total Long Term Obligations	<u>\$4,142,108</u>	<u>\$36,628</u>	<u>\$415,000</u>	<u>\$3,763,736</u>	<u>\$430,000</u>

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

future debt service payments on the refunded general obligation bonds. The refunding will save \$111,011 in interest payments over the life of the debt issue.

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

The capital appreciation bonds will mature in fiscal year 2015. The maturity amount for the bonds is \$470,000. For fiscal year 2013, \$36,628 was accreted for a total bond value of \$363,736.

On November 30, 2011, the District issued \$1,185,000 in general obligation bonds to refund the remaining general obligation bonds previously issued for the construction and improvement to instructional buildings in 2001 and energy conservation notes issued in 2011. The serial refunding bonds have an interest rate of 1.91%. The bonds refunded \$1,185,000 of the 2001 School Improvement general obligation bonds. The bonds were sold at a premium of \$19,975 which covered the cost of issuance totaling \$19,975. The refunding will save \$66,601 in interest payments over the 3 year life of the debt issue.

The District's overall debt margin was \$10,472,590 with an unvoted debt margin of \$156,362 at June 30, 2013.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013, were as follows:

<u>Fiscal Year End</u>	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2014	\$430,000	\$114,808		
2015	445,000	105,667		
2016		101,000		
2017	470,000	91,600	\$199,999	\$270,001
2018	490,000	72,400		
2019-2021	1,565,000	95,300		
Totals	\$3,400,000	\$580,775	\$199,999	\$270,001

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

Note 13 - Set Asides

The District is required by State statute to annually set aside, in the General fund, an amount based on a statutory formula for the 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 capital improvements during fiscal year 2013.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

	Capital Improvements
Balance June 30, 2012	
Current Year Set Aside Requirement	\$247,086
Qualifying Expenditures	(38,844)
Offsets	(208,242)
Balance June 30, 2013	\$169,996

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 14 - Fund Balance

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

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

Fund Balance	General	Other Governmental	Total Governmental Funds
Restricted For:			
Debt Retirement		\$545,037	\$545,037
Food Service Operations		103,786	103,786
Regular Instruction		2,232	2,232
Facilities Maintenance		351,756	351,756
Athletics		11,012	11,012
Total Restricted		1,013,823	1,013,823
Committed For:			
Permanent Improvements		161,265	161,265
Assigned For:			
Educational Activities	\$166,037		166,037
Unassigned (Deficit)	5,319,735	(8,400)	5,311,335
Total Fund Balances	\$5,485,772	\$1,166,688	\$6,652,460

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 15 - Jointly Governed Organizations

A. The Educational Regional Services System

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

The System is a 16-region system consisting of a State Regional Alliance Advisory Board, an advisory council and 5 specialized subcommittees for each of the 16 regions, a fiscal agent for each region, educational service centers (ESCs), special education regional resource centers (SERRCs), the data acquisition sites (DA sites), and other regional service providers. The 34 member State Regional Alliance Advisory Board is not a policymaking body. Members are to receive no compensation. The Board's duties are to promote communication and coordination among the State Board of Education, the Department of Education (ODE), fiscal agents, advisory councils, and customers of the System. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Educational Service Center of Lake Erie West, 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 2012, the District paid \$27,477 to the NOACSC for various services. Financial information can be obtained from the Ray Burden, Executive Director, Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

C. Vantage Career Center

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

Note 16 - Insurance Pools

A. Southwestern Ohio Educational Purchasing Council LFP

The District participates in the Southwestern Ohio Educational Purchasing Council LFP (Program), an insurance purchasing pool consisting of fifty-one school districts. 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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

grouping and representation with other participants in the Program. The Program's business and affairs are conducted by an Executive Council of nine participation school administrators. Participation in the Program is by written application subject to acceptance by the Executive Council and the payment of an annual premium. The Administrator of the program is Public Entity Marsh which coordinates the management, administration, claims management, and actuarial studies of the Program. Insurance premiums are paid to the Purchasing Council. Financial information can be obtained from EPC-LFP, 303 Corporate Center Dr., Suite 2008, Vandalia, Ohio 45377.

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

The District participates in the Paulding County School Consortium's Employee Insurance benefits Program ("Program"), a Council of Governments, defined as an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Program is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint insurance purchasing program to maintain adequate insurance protection and provide risk management programs and other administrative services for medical and dental insurance coverage to the employees of the participants. Each participant's superintendent is appointed to a Board of Directors, which advises the Trustee, Huntington Financial, concerning aspects of the administration of the Program. Members are Antwerp Local Schools, Paulding Exempted Village Schools and Wayne Trace Local Schools. Monies are paid monthly to Reliance Financial Services, which holds and invests funds for the Consortium and makes payments to Anthem Insurance, which acts as the TPA for administration of the policies.

Each participant decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Maria Rellinger, 405 N. Water Street, Paulding, Ohio 45879.

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 conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

Note 18 – Deficient Fund Balance

Fund balances at June 30, 2013 included the following individual fund deficits:

PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

Early Childhood Education	\$390
IDEA-B	2,383
Title I	271
IDEA Preschool	217
Title II-A	2,139
Food Service Expansion	3,000
Balance June 30, 2013	<u>\$8,400</u>

Note 19 – Interfund Transactions

During fiscal year 2013, the District made an advance of \$2,636 from the General Fund to the Safe Routes to School Fund. Repayment of a prior year \$3,219 advance between the same funds was also made.

During fiscal year 2013, the District transferred \$584 from the Class of 2013 Fund to the General Fund to close out the fund.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>(Passed through the Ohio Department of Education)</i>			
Nutrition Cluster:			
National School Lunch Program			
Cash Assistance	10.555	\$287,771	\$287,771
Non-Cash Assistance (Food Distribution)	10.555	78,118	78,118
Total National School Lunch Program		<u>365,889</u>	<u>365,889</u>
School Breakfast Program	10.553	60,594	60,594
Total Nutrition Cluster		<u>426,483</u>	<u>426,483</u>
Special Milk Program for Children	10.556	2,079	2,079
State Administrative Expenses for Child Nutrition	10.560		3,000
Total U.S. Department of Agriculture		<u>428,562</u>	<u>431,562</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>(Passed through the Ohio Department of Education)</i>			
Title I Grants to Local Educational Agencies	84.010	403,620	407,779
Special Education Cluster:			
Special Education Grants to States	84.027	372,804	352,818
Special Education Preschool Grants	84.173	31,923	32,023
Total Special Education Cluster		<u>404,727</u>	<u>384,841</u>
Improving Teacher Quality State Grants	84.367	58,494	57,830
Education Jobs	84.410	20,423	19,291
ARRA - Race to the Top	84.395	45,782	40,589
ARRA - Race to the Top - Virtual Grant	84.395	11,179	8,152
ARRA - Race to the Top - Mini Testing Grant	84.395	6,837	6,837
ARRA - Race to the Top - Resident Educator Program	84.395	3,150	3,150
Total ARRA - Race to the Top		<u>66,948</u>	<u>58,728</u>
Total United States Department of Education		<u>954,212</u>	<u>928,469</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Direct Grant</i>			
Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas	97.048	2,617	2,617
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>(Passed through the Ohio Department of Transportation)</i>			
Highway Planning and Construction Grant	20.205	7,030	6,447
Total Federal Financial Assistance		<u>\$1,392,421</u>	<u>\$1,369,095</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles and wherein we noted the District changed the classification of a certain fund from a governmental fund to a fiduciary fund during 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 27, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Paulding Exempted Village School District's, Paulding County, Ohio (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Paulding Exempted Village School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Paulding Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

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www.ohioauditor.gov

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 27, 2014

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555 Special Education Cluster: Special Education – Grants to States CFDA #84.027 and Special Education Preschool Grants CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Administrative Code § 117-2-03(B), which further clarifies the requirements of **Ohio Revised Code § 117.38**, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its financial report 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 the generating and auditing the reports on a GAAP basis far outweigh any benefits.

3. FINDINGS FOR FEDERAL AWARDS

None

**PAULDING EXEMPTED SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2012-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-3(B) for preparing the annual financial report on a basis other than generally accepted accounting principles.	No	Not Corrected. Reissued as finding 2013-001 in this report.
2012-002	Child Nutrition Cluster 7 CFR Part 245 §3 (c) for incorrectly approving eligibility applications	Yes	

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on August 21, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

February 27, 2014

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PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2014**