



Dave Yost • Auditor of State

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets and governmental activities. The federal awards receipts and expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Districts, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is 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.



Dave Yost
Auditor of State

November 27, 2012

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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, 2012, 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 2012 are as follows:

In total, net assets of the District increased \$195,384 or 3 percent.

The District received \$243,893 in Education Jobs federal money that was used to supplant General fund money.

The District changed to a single bus route system and common PK-12 daily schedule. This change helped contribute to pupil transportation costs decreasing by \$133,673 or 12 percent.

The District issued \$1,185,000 in general obligation bonds to refund bonds previously issued in 2001. It is anticipated this will save \$66,601 in interest payments over the three year life of the debt issue.

USING THIS ANNUAL REPORT

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

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

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in a single column. 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, 2012
UNAUDITED
(Continued)**

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2012, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

In the statement of net assets and the statement of activities, all of the District's activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, noninstructional services, extracurricular activities, capital outlay, and 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 assets for fiscal year 2012 and fiscal year 2011.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table I
Net Assets
Governmental Activities

	2012	2011
<u>Assets:</u>		
Cash and Cash Equivalents	\$6,450,413	\$6,225,029
<u>Net Assets:</u>		
Restricted	1,394,342	1,785,434
Unrestricted	5,056,071	4,469,595
Total Net Assets	\$6,450,413	\$6,255,029

Cash and Cash Equivalents and Unrestricted Net Assets increased due to the reduction in transportation costs and supplanting General fund money with Education Jobs federal money. Majority of the project expenditures were spent in FY 2012.

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011.

Table 2
Change in Net Assets
Governmental Activities

	2012	2011
<u>Receipts:</u>		
Program Receipts		
Charges for Services	\$691,321	\$730,371
Operating Grants, Contributions, and Interest	2,071,299	2,935,283
Capital Grants and Contributions		4,707
Total Program Receipts	2,762,620	3,670,361
General Receipts		
Property Taxes Levied for General Purposes	3,371,037	3,221,781
Property Taxes Levied for Classroom Facilities Maintenance	59,331	58,564
Property Taxes Levied for Debt Service	571,974	546,684
Property Taxes Levied for Permanent Improvement	146,660	140,175
Income Taxes	1,681,038	1,592,376
Grants and Entitlements Not Restricted to Specific Programs	9,300,402	9,031,142
Energy Conservation Notes Issued		400,000
Proceeds from Sales of Capital Assets		15,720
Sale of Refunding Bonds	1,185,000	
Premium on Sale of Refunding Bonds	19,975	
Insurance Proceeds	2,699	
Interest	34,531	42,007
Miscellaneous	94,578	76,874
Total General Receipts	16,467,225	15,125,323
Total Receipts	\$ 19,229,845	\$ 18,795,684

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
Governmental Activities
(Continued)

	2012	2011
<u>Disbursements:</u>		
Instruction:		
Regular	\$6,053,512	\$6,036,011
Special	1,928,741	2,026,173
Vocational	2,285	3,089
Other	1,407,933	1,430,004
Support Services:		
Pupils	797,856	747,963
Instructional Staff	911,810	932,607
Board of Education	63,744	74,248
Administration	1,028,340	1,009,100
Fiscal	495,733	483,160
Business		3,533
Operation of Maintenance of Plant	1,326,092	1,265,861
Pupil Transportation	954,748	1,088,421
Central	80,474	74,725
Noninstructional Services	650,191	619,117
Extracurricular Activities	519,831	512,785
Capital Outlay	623,995	356,937
Debt Service:		
Principal Retirement	2,010,000	405,000
Interest and Fiscal Charges	159,201	190,191
Refunding Bond Issuance Cost	19,975	
Refund of Prior Year Receipts		9,934
Total Disbursements	<u>19,034,461</u>	<u>17,268,859</u>
Increase in Net Assets	195,384	1,526,825
Net Assets at Beginning of Year	<u>6,255,029</u>	<u>4,728,204</u>
Net Assets at End of Year	<u><u>\$6,450,413</u></u>	<u><u>\$6,255,029</u></u>

Program receipts represent 15 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 92 percent of the District's general receipts.

The major program disbursements for governmental activities are for instruction, which account for 49 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 26 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Service	Total Cost of Services	Net Cost of Service
	2012	2012	2011	2011
<u>Disbursements:</u>				
Instruction:				
Regular	\$6,053,512	\$5,739,680	\$6,036,011	\$5,653,765
Special	1,928,741	1,244,999	2,026,173	1,198,882
Vocational	2,285	(7,875)	3,089	(8,011)
Other	1,407,933	1,407,933	1,430,004	1,414,249
Support Services:				
Pupils	797,856	445,884	747,963	399,601
Instructional Staff	911,810	550,318	932,607	466,624
Board of Education	63,744	63,744	74,248	74,248
Administration	1,028,340	935,634	1,009,100	673,766
Fiscal	495,733	495,733	483,160	477,885
Business			3,533	3,533
Operation of Maintenance of Plant	1,326,092	1,326,092	1,265,861	917,830
Pupil Transportation	954,748	954,748	1,088,421	1,088,421
Central	80,474	77,255	74,725	68,990
Noninstructional Services	650,191	(33,965)	619,117	(50,291)
Extracurricular Activities	519,831	359,007	512,785	363,744
Capital Outlay	623,995	623,995	356,937	356,937
Debt Service:				
Principal Retirement	2,010,000	1,936,623	405,000	314,220
Interest and Fiscal Charges	159,201	132,061	190,191	174,171
Refunding Bond Issuance Cost	19,975	19,975		
Refund of Prior Year Receipts			9,934	9,934
Total Disbursements	<u>\$19,034,461</u>	<u>\$16,271,841</u>	<u>\$17,268,859</u>	<u>\$13,598,498</u>

Instructional activities were supported by tax receipts and unrestricted grants and entitlements by 89 percent. Special and vocational instruction activities are partially provided for through operating grants.

Noninstructional services include food service activities. All noninstructional services were provided for through program receipts for fiscal year 2012. The majority of the program receipts associated with noninstructional services includes cafeteria sales and state and federal subsidies for food service.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The District's major fund is the General fund.

For fiscal year 2012, 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 a 13 percent increase in fund balance.

BUDGETARY HIGHLIGHTS

The District prepares an annual budget of receipts and disbursements for all funds of the District for use by District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of July. The District's most significant budgeted fund is the General fund. During fiscal year 2012, 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.

DEBT ADMINISTRATION

The District had general obligation bonds outstanding, in the amount of \$4,142,108, which will be repaid from a voted property tax levy of 3.9 mills. In fiscal year 2012, the District issued \$1,185,000 in general obligation bonds to refund general obligation bonds previously issued for the construction and improvement to instructional buildings in 2001. The serial refunding bonds have an interest rate of 1.91% and will save \$66,601 in interest payments over the 3 year life of the debt issue. For further information regarding the District's long-term obligations, refer to Note 11 to the basic financial statements.

REQUEST FOR INFORMATION

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

Paulding Exempted Village School District
Paulding County, Ohio

Statement of Net Assets - Cash Basis
June 30, 2012

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,450,413</u>
<u>Net Assets:</u>	
Restricted for:	
Debt Service	\$418,131
Capital Projects	167,971
Other Purposes	808,240
Unrestricted	<u>5,056,071</u>
Total Net Assets	<u>\$6,450,413</u>

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Paulding County, Ohio

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Current:				
Instruction:				
Regular	\$6,053,512	\$44,028	\$269,804	(\$5,739,680)
Special	1,928,741	2	683,740	(1,244,999)
Vocational	2,285	6,644	3,516	7,875
Other	1,407,933			(1,407,933)
Support Services:				
Pupils	797,856	198,815	153,157	(445,884)
Instructional Staff	911,810		361,492	(550,318)
Board of Education	63,744			(63,744)
Administration	1,028,340		92,706	(935,634)
Fiscal	495,733			(495,733)
Operation and Maintenance of Plant	1,326,092			(1,326,092)
Pupil Transportation	954,748			(954,748)
Central	80,474		3,219	(77,255)
Noninstructional Services	650,191	281,008	403,148	33,965
Extracurricular Activities	519,831	160,824		(359,007)
Capital Outlay	623,995			(623,995)
Debt Service:				
Principal Retirement	2,010,000		73,377	(1,936,623)
Interest and Fiscal Charges	159,201		27,140	(132,061)
Refunding Bond Issuance Cost	19,975			(19,975)
Total Governmental Activities	\$19,034,461	\$691,321	\$2,071,299	(16,271,841)
<u>General Receipts:</u>				
Property Taxes Levied for:				
General Purposes				3,371,037
Classroom Facilities Maintenance				59,331
Debt Service				571,974
Permanent Improvement				146,660
Income Taxes				1,681,038
Grants and Entitlements not Restricted to Specific Programs				9,300,402
Sale of Refunding Bonds				1,185,000
Premium on Sale of Refunding Bonds				19,975
Insurance Proceeds				2,699
Interest				34,531
Miscellaneous				94,578
Total General Receipts				16,467,225
Change in Net Assets				195,384
Net Assets at Beginning of Year				6,255,029
Net Assets at End of Year				\$6,450,413

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Paulding County, Ohio

Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$5,056,071	\$1,394,342	\$6,450,413
<u>Fund Balances:</u>			
Restricted		\$1,152,439	\$1,152,439
Non-Spendable		108,203	108,203
Committed		167,971	167,971
Assigned	\$107,232		107,232
Unassigned (Deficit)	4,948,839	(34,271)	4,914,568
Total Fund Balances	\$5,056,071	\$1,394,342	\$6,450,413

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Paulding County, Ohio

Statement of Cash Receipts, Disbursements, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Other Governmental	Total Governmental Funds
<u>Receipts:</u>			
Property Taxes	\$3,371,037	\$777,965	\$4,149,002
Income Taxes	1,681,038		1,681,038
Intergovernmental	9,381,253	1,833,473	11,214,726
Interest	34,531	1,322	35,853
Tuition and Fees	290,013		290,013
Extracurricular Activities	59,047	113,758	172,805
Charges for Services		328,074	328,074
Gifts and Donations		55,931	55,931
Miscellaneous	94,578		94,578
Total Receipts	14,911,497	3,110,523	18,022,020
<u>Disbursements:</u>			
Current:			
Instruction:			
Regular	6,023,315	30,197	6,053,512
Special	1,245,002	683,739	1,928,741
Vocational	2,285		2,285
Other	1,407,933		1,407,933
Support Services:			
Pupils	644,699	153,157	797,856
Instructional Staff	550,323	361,487	911,810
Board of Education	63,744		63,744
Administration	935,637	92,703	1,028,340
Fiscal	464,221	31,512	495,733
Operation and Maintenance of Plant	1,189,554	136,538	1,326,092
Pupil Transportation	881,747	73,001	954,748
Central	77,255	3,219	80,474
Noninstructional Services	193	649,998	650,191
Extracurricular Activities	357,197	162,634	519,831
Capital Outlay	75,693	548,302	623,995
Debt Service:			
Principal Retirement	400,000	1,610,000	2,010,000
Interest and Fiscal Charges	5,854	153,347	159,201
Refunding Bond Issuance Cost		19,975	19,975
Total Disbursements	14,324,652	4,709,809	19,034,461
Excess of Receipts Over (Under) Disbursements	586,845	(1,599,286)	(1,012,441)
<u>Other Financing Sources (Uses):</u>			
Advances In		3,219	3,219
Advances Out	(3,219)		(3,219)
Sale of Refunding Bonds		1,185,000	1,185,000
Premium on Sale of Refunding Bonds		19,975	19,975
Insurance Recoveries	2,699		2,699
Transfers In	2		2
Refund of Prior Year Expenditures	149		149
Total Other Financing Sources (Uses)	(369)	1,208,194	1,207,825
Changes in Fund Balances	586,476	(391,092)	195,384
Fund Balances at Beginning of Year	4,469,595	1,785,434	6,255,029
Fund Balances at End of Year	<u>\$5,056,071</u>	<u>\$1,394,342</u>	<u>\$6,450,413</u>

See Accompanying Notes to Basic Financial Statements

**Paulding Exempted Village School District
Paulding County, Ohio**

Statement of Cash Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES:				
Property and Other Local Taxes	\$ 3,279,468	\$ 3,279,468	\$ 3,371,037	\$ 91,569
Income Tax	1,616,262	1,616,262	1,681,038	64,776
Intergovernmental	9,331,143	9,331,143	9,381,253	50,110
Interest	40,000	40,000	34,531	(5,469)
Tuition and Fees	300,065	300,065	290,013	(10,052)
Miscellaneous	68,170	68,170	94,672	26,502
Total Revenues	14,635,108	14,635,108	14,852,544	217,436
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,311,203	6,206,201	6,091,019	115,182
Special	1,422,475	1,266,475	1,245,002	21,473
Vocational			2,285	(2,285)
Other	1,455,100	1,363,100	1,407,933	(44,833)
Support Services:				
Pupils	573,687	578,686	588,355	(9,669)
Instructional Staff	625,780	614,779	551,710	63,069
Board of Education	94,800	86,800	63,744	23,056
Administration	926,759	956,759	936,043	20,716
Fiscal	513,657	460,657	464,221	(3,564)
Operation and Maintenance of Plant	791,906	1,403,906	1,192,852	211,054
Pupil Transportation	997,619	902,620	893,389	9,231
Central	87,093	87,093	77,255	9,838
Non-Instructional Services	1,605	1,605	193	1,412
Extracurricular Activities	345,318	345,318	357,197	(11,879)
Capital Outlay	75,693	75,693	75,693	
Debt Service:				
Principal			400,000	(400,000)
Interest	20,000	20,000	5,854	14,146
Total Expenditures	14,242,695	14,369,692	14,352,745	16,947
Excess of Revenues Over Expenditures	392,413	265,416	499,799	234,383
OTHER FINANCING SOURCES AND USES:				
Insurance Recoveries	5,000	5,000	2,699	(2,301)
Refund of Prior Year Expenditures			149	149
Advances Out			(3,219)	(3,219)
Total Other Financing Sources and Uses	5,000	5,000	(371)	(5,371)
Net Change in Fund Balances	397,413	270,416	499,428	229,012
Fund Balance at Beginning of Year	4,345,873	4,345,873	4,345,873	
Prior Year Encumbrances Appropriated	103,539	103,539	103,539	
Fund Balance at End of Year	\$ 4,846,825	\$ 4,719,828	\$ 4,948,840	\$ 229,012

See Accompanying Notes to Basic Financial Statements

Paulding Exempted Village School District
Paulding County, Ohio

Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
June 30, 2012

	<u>Agency Fund</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$66,008</u>
<u>Net Assets:</u>	
Held in Trust for Students	\$61,297
Undistributed Assets	<u>4,711</u>
Total net assets	<u>\$66,008</u>

See Accompanying Notes to the Basic Financial Statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 sixteen certified teaching personnel, and eleven administrative employees who provide services to 1,591 students and other community members. The District currently operates four instructional buildings.

Reporting Entity

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

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

The District participates in three jointly governed organizations and two insurance pools. These organizations are the Educational Regional Services System (ERSS), Northwest Ohio Area Computer Services Cooperative, Vantage Career Center, Northwest Ohio Educational Council Insurance Pool Program, and the Paulding County School Consortium's Employee Insurance Benefits Program. These organizations are presented in Notes 14 and 15 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 – Summary of Significant Accounting Policies - (Continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 – Summary of Significant Accounting Policies – (Continued)

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District did not have any trust funds in fiscal year 2012. 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 – Summary of Significant Accounting Policies – (Continued)

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.

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 2012, the District’s investments included repurchase agreements, negotiable and nonnegotiable certificates of deposit, 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, 2012.

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 2012 was \$34,531, which included \$7,597 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 – Summary of Significant Accounting Policies – (Continued)

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.

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 8 and 9, 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 Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, adult education programs, vocational programs, and federal and state grants restricted to expenditure for specified purposes. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation as of June 30, 2012.

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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 – Summary of Significant Accounting Policies – (Continued)

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 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 – 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..

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 3 – Budgetary Basis of Accounting (Continued)

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	\$586,476
Funds Budgeted Elsewhere	(2,611)
Adjustment for Encumbrances	<u>(84,437)</u>
Budget Basis	<u><u>\$499,428</u></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 General fund on the Cash basis. This includes the uniform school supplies fund and public school support funds.

Note 4 - Deposits and Investments

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

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

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

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

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;

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 4 - Deposits and Investments – (Continued)

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);
8. Commercial paper and bankers acceptances if trading 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

As of June 30, 2012, the District had the following investments:

Investments	Carrying Value	Credit Rating	Investments Maturity Less Than 1 Year	% of Investment Balance
Star Ohio	\$405	AAAm	\$405	0%
Negotiable CD's	496,000	N/A	496,000	13%
Repurchase Agreement	<u>3,354,339</u>	N/A	<u>3,354,339</u>	<u>87%</u>
	<u><u>\$3,850,744</u></u>		<u><u>\$3,850,744</u></u>	<u><u>100%</u></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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 4 - Deposits and Investments – (Continued)

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.

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 Securiites) but not in the District's name. The District's investment in the repurchase agreement in the amount of \$3,354,339 is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the School 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 5 - Property Taxes

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009 and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar year 2010, the District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements were to be phased out, however they were eliminated in 2011.

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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 5 - Property Taxes – (Continued)

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 2012 taxes were collected are:

	2011 Second-Half Collections		2012 First-Half Collections	
Real Estate	\$155,290,750	92.45%	\$155,590,270	92.12%
Public Utility	12,678,440	7.55%	13,305,090	7.88%
Total Assessed Value	167,969,190	100%	168,895,360	100%
Tax Rate Per \$1,000 of Assessed Valuation	\$35.40		\$35.32	

Note 6 - Income Taxes

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

Note 7 - 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 2012, 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

Coverage provided by Travelers Indemnity Company is as follows:

Excess Property	\$200,000,000
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Coverage provided by Genesis Insurance Corporation is as follows:

Excess Liability	\$5,000,000
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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 7 - Risk Management (Continued)

Coverage provided by Federal Insurance Company is as follows:	
Boiler and Machinery	\$50,000,000
Coverage provided by Illinois National Insurance Company is as follows:	
School Board Legal Liability	\$1,000,000
Coverage provided by Ironshore Specialty Insurance Company is as follows:	
Site Pollution Incident Legal Liability	\$1,000,000

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

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

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

Note 8 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 8 - Defined Benefit Pension Plans – (Continued)

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

For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2012, 2011, and 2010 was \$908,041, \$911,662, and \$904,449, respectively; 100 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal years 2011 and 2010.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

For the fiscal year ended June 30, 2012, plan members are required to contribute 10% of their annual covered salary and the District] is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$204,938, \$195,755, and \$149,461, respectively; 100 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2012, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 9 - Postemployment Benefits

A. School Employee Retirement System

Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. The District contributions for the years ended June 30, 2012, 2011 and 2010 were \$12,103, \$12,597, and \$12,332, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$34,674, \$49,235, and \$93,351, respectively.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 9 - Postemployment Benefits – (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$69,849, \$70,128, and \$69,573, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

Note 10 - Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated without limit for all employees. Upon retirement, payment is made for a maximum of forty-five days and 5 percent of any accrued but unused sick leave credit in excess of forty-five days for certified employees and for a maximum of forty-one days and 5 percent of any accrued but unused sick leave credit in excess of forty-one days for classified employees. 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 15 B).

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 11 - Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds -					
2001 School Improvement					
Serial Bonds 3 - 5%	\$1,585,000		\$1,585,000		
2011 School Improvement					
Serial Bonds 1.91%		\$1,185,000		\$1,185,000	\$385,000
2007 School Refinancing Bonds					
Serial Bonds 3.75 - 4%	2,655,000		25,000	2,630,000	30,000
Capital Appreciation Bonds 10.90%	199,999			199,999	
Capital Appreciation Bond Accretion	94,168	32,941		127,109	
Total 2007 School Refinancing Bonds	<u>2,949,167</u>	<u>32,941</u>	<u>25,000</u>	<u>2,957,108</u>	<u>30,000</u>
Total General Obligation Bonds	4,534,167	1,217,941	1,610,000	4,142,108	415,000
Energy Conservation Notes - 2.96%	400,000		400,000		
Total Long Term Obligations	<u>\$4,934,167</u>	<u>\$1,217,941</u>	<u>\$2,010,000</u>	<u>\$4,142,108</u>	<u>\$415,000</u>

School Improvement General Obligation Bonds

On May 31, 2001, the District issued \$7,168,897 in voted general obligation bonds for renovating and improving school facilities. The bond issue included serial and capital appreciation bonds, in the amount of \$6,795,000 and \$373,897, respectively. The bonds were issued for a twenty year period, with final maturity during fiscal year 2021. In November 2011, the remaining bonds were retired with the proceeds from a 3.9 mill voted property tax levy accumulated in the Bond Retirement debt service fund and a new issuance of general obligation bonds.

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

Current Interest Bonds maturing on or after December 1, 2018 are subject to redemption at the option of the School District, either in whole or in part, in such order as the 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 2012, \$32,941 was accreted for a total bond value of \$327,108.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 11 - Long-Term Obligations – (Continued)

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.

Energy Conservation Notes, Series 2011

On March 10, 2011, the District issued \$400,000 Tax Exempt Energy Conservation Notes to fund part of the House Bill 264 Energy Conservation Project. The notes were issued for a five year period by the State Bank and Trust Company to which the payments are made to. The loan was paid off on November 28, 2011 due to low interest earnings on the cash reserve.

The District's overall debt margin was \$9,998,393 with an unvoted debt margin of \$155,704 at June 30, 2012.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, were as follows:

<u>Fiscal Year End</u>	General Obligation Bonds			
	Serial		Capital Appreciation	
2013	\$415,000	\$123,557		
2014	430,000	114,808		
2015	445,000	105,667		
2016		101,000	\$199,999	\$270,001
2017	470,000	91,600		
2018-2021	<u>2,055,000</u>	<u>167,700</u>		
Totals	<u><u>\$3,815,000</u></u>	<u><u>\$704,332</u></u>	<u><u>\$199,999</u></u>	<u><u>\$270,001</u></u>

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

Note 12 - 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 2012.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 12 - Set Asides – (Continued)

	Capital Improvements
Balance June 30, 2011	
Current Year Set Aside Requirement	\$259,885
Qualifying Expenditures	(121,995)
Offsets	(303,005)
Balance June 30, 2012	(\$165,115)

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 13 - 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		\$418,131	\$418,131
Food Service Operations		223,317	223,317
Scholarships		25,581	25,581
Regular Instruction		8,428	8,428
Special Education		1,445	1,445
Facilities Maintenance		451,386	451,386
Athletics		24,151	24,151
Total Restricted		1,152,439	1,152,439
Nonspendable For:			
Scholarships		108,203	108,203
Committed For:			
Permanent Improvements		167,971	167,971
Assigned For:			
Educational Activities	\$107,232		107,232
Unassigned (Deficit)	4,948,839	(34,271)	4,914,568
Total Fund Balances	\$5,056,071	\$1,394,342	\$6,450,413

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 14 - Jointly Governed Organizations

A. The Educational Regional Services System

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

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

B. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2012, the District paid \$29,235 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 15 - Insurance Pools

A. Northwest Ohio Educational Council Insurance Pool Program

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (Program), an insurance purchasing pool. The Program was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The Program is a nonprofit organization of its members which enables the participants to provide for a formalized joint insurance purchasing program to maintain adequate insurance protection and provide risk management programs and other administrative services for property and liability insurance. The Program's business and affairs are conducted by a nine member Insurance Committee created by the governing board of the Northwest Ohio Educational Council, a Council of Governments created pursuant to Chapter 167.01 of the Ohio Revised Code. The Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing. Financial information for the Program can be obtained from the Paul Brotski, Treasurer of Maumee City School District, 716 Askin Street, Maumee, Ohio 43537.

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 Rob Wannemacher, 4915 U.S. RT. 127, Haviland, Ohio 45851.

Note 16 - Contingencies

Student Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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, 2012, if applicable, cannot be determined at this time.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 17 - Interfund Transfers and Advances

During fiscal year 2012, the General Fund advanced \$3,219 to the Safe Routes to Schools Program fund. It is anticipated this advance will be repaid when grant monies are received in 2013. The Class of 2012 fund transferred \$2 to the General fund to close out the fund.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553	\$53,649	\$53,649
National School Lunch Program Cash Assistance	10.555	282,824	282,824
Non- Cash Assistance (Food Distribution)		64,483	64,483
Total National School Lunch Program		<u>347,307</u>	<u>347,307</u>
Special Milk Program For Children - Cash Assistance	10.556	3,050	3,050
Total U.S. Department of Agriculture		<u>404,006</u>	<u>404,006</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	346,894	372,511
ARRA - Special Education Grants to States	84.391	3,469	
Total Special Education Grants to States		<u>350,363</u>	<u>372,511</u>
Special Education Preschool Grants	84.173	31,873	31,815
Total Special Education Cluster		<u>382,236</u>	<u>404,326</u>
Title II-D Technology Grant	84.318	2,715	2,715
Education Jobs Fund	84.410	243,893	245,271
ARRA - Race-to-the-Top Incentive Grants, Recovery Act	84.395	38,308	48,337
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	385,633	379,975
ARRA - Title I Grants to Local Educational Agencies	84.389	1,861	261
Total Title I, Part A Cluster		<u>387,494</u>	<u>380,236</u>
Improving Teacher Quality State Grants	84.367	75,010	80,114
Total U.S. Department of Education		<u>1,129,656</u>	<u>1,160,999</u>
U.S. DEPARTMENT OF TRANSPORTATION <i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction Grant	20.205		3,219
Total Federal Awards Receipts and Expenditures		<u>\$1,533,662</u>	<u>\$1,568,224</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (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 ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 2012 wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 27, 2012.

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

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



Dave Yost
Auditor of State

November 27, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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:

Compliance

We have audited the compliance of Paulding Exempted Village School District, Paulding County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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 that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Paulding Exempted Village School District, Paulding County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-002.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2012-002. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program 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.

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



Dave Yost
Auditor of State

November 27, 2012

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control 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?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster – School Breakfast Program CFDA #10.553, National School Lunch Program CFDA #10.555 and Special Milk Program for Children CFDA #10.556
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2012-001

Noncompliance Citation

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

**FINDING NUMBER 2012-001
 (Continued)**

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.

For 2012, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District

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

Officials' Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2012-002
CFDA Title and Number	10.553 School Breakfast Program 10.555 National School Lunch Program 10.556 Special Milk Program for Children
Federal Award Number / Year	2012
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation and Significant Deficiency

CHILD NUTRITION CLUSTER – SCHOOL BREAKFAST PROGRAM - NATIONAL SCHOOL LUNCH PROGRAM - ELIGIBILITY

7 CFR Part 245 §3 (c) provides each School Food Authority shall serve free and reduced price meals or free milk in the respective programs to children eligible under its eligibility criteria.

A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program is established by the submission of an annual application which furnishes such information as family income and family size. The District determines eligibility by comparing the data reported by the student's household to published income eligibility guidelines information from the Federal Register.

**FINDING NUMBER 2012-002
(Continued)**

We noted one application out of twenty five tested where District officials incorrectly approved eligibility for reduced price meals participants. This application should have been denied since the total annual family income listed on the application exceeded the maximum level of family income for the size of the family to be eligible to participate in the Child Nutrition Cluster program.

As a result, the District was not entitled to \$654 reimbursed in 2012 from the Child Nutrition Cluster program.

The District should only approve applications which meet eligibility guidelines set for the Child Nutrition Program.

Officials' Response:

We did not receive a response from Officials to this finding.

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-002	The District plans to strengthen its review procedures of applications for participation in the National School Lunch Program.	FY 2013	Maria Rellinger, Treasurer

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Revised Code §117.38 and Ohio Administrative Code §117-2-03 (B) – requires the District to prepare its annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as finding 2012-001 in this report.

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Dave Yost • Auditor of State

PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2012**