



**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with

Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 28, 2007

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of Paulding Exempted Village School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Highlights for fiscal year 2006 are as follows:

- Net assets of the School District continued to deteriorate in fiscal year 2006. In fiscal year 2005, net assets decreased by \$883,512 and in fiscal year 2006, net assets decreased \$1,441,778. The School District adopted a tiered spending reduction plan in fiscal year 2005 which had reduced costs by \$318,000 during that fiscal year.
- During fiscal year 2006, the second tier of reductions was initiated. The School District reduced staffing levels by three teaching personnel, two cafeteria employees, and one bus driver, along with partial cuts in guidance and gifted coordinator positions. In addition, three kindergarten bus routes were eliminated. Total savings from the budget reduction actions were approximately \$332,000.
- Even with the change in health care policies approved by the unions in fiscal year 2005, insurance premiums increased by 12 percent beginning July 1, 2005.

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the School District's net assets for fiscal year 2006 and fiscal year 2005.

Table 1
Net Assets

	Governmental Activities	
	2006	2005
<u>Assets</u>		
Current and Other Assets	\$7,211,774	\$7,709,367
Capital Assets, Net	31,197,687	32,512,485
Total Assets	38,409,461	40,221,852
<u>Liabilities</u>		
Current and Other Liabilities	5,451,714	5,687,066
Long-Term Liabilities	7,312,871	7,448,132
Total Liabilities	12,764,585	13,135,198
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	25,248,790	26,238,588
Restricted	2,133,397	2,022,542
Unrestricted (Deficit)	(1,737,311)	(1,174,476)
Total Net Assets	\$25,644,876	\$27,086,654

The School District's current and other assets decreased from increases incurred by negotiated pay raises and increases in operational costs. The School District did not have any additions to capital assets in fiscal year 2006; therefore, the decrease is attributable to depreciation of the existing capital assets.

Unrestricted net assets decreased from spending more than the revenues received during the fiscal year for basic operations.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2006 and fiscal year 2005.

Table 2
Change in Net Assets

	Governmental Activities	
	2006	2005
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$852,616	\$763,538
Operating Grants, Contributions, and Interest	2,321,719	2,228,429
Capital Grants and Contributions	34,377	34,439
Total Program Revenues	<u>3,208,712</u>	<u>3,026,406</u>
General Revenues		
Property Taxes	4,002,398	4,171,077
Income Taxes	1,613,852	1,544,225
Payment in Lieu of Taxes	17,544	11,450
Grants and Entitlements not Restricted to Specific Programs	7,706,254	7,708,370
Interest	107,396	80,858
Miscellaneous	77,048	106,544
Total General Revenues	<u>13,524,492</u>	<u>13,622,524</u>
Total Revenues	<u>16,733,204</u>	<u>16,648,930</u>
<u>Expenses</u>		
Instruction:		
Regular	8,835,982	8,490,969
Special	1,754,182	1,688,782
Vocational	304,740	269,543
Support Services:		
Pupils	659,929	700,166
Instructional Staff	845,753	831,487
Board of Education	135,130	137,783
Administration	1,383,805	1,385,079
Fiscal	483,047	465,675
Business	80,391	78,063
Operation and Maintenance of Plant	1,267,290	1,145,746
Pupil Transportation	890,687	857,722
Central	6,792	11,639
Noninstructional Services	693,889	670,023
Extracurricular Activities	511,954	470,329
Interest and Fiscal Charges	321,411	329,436
Total Expenses	<u>18,174,982</u>	<u>17,532,442</u>
Decrease in Net Assets	(1,441,778)	(883,512)
Net Assets at Beginning of Year	<u>27,086,654</u>	<u>27,970,166</u>
Net Assets at End of Year	<u><u>\$25,644,876</u></u>	<u><u>\$27,086,654</u></u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Program revenues and general revenues did not change significantly.

Overall, total expenses increased by less than 4 percent. Budget reductions were made during fiscal year 2006 to reduce expenses; however, a pay increase of 3 percent as approved in a two-year negotiated agreement with the Paulding Education Association and significant health care costs increased expenses greater than the savings. Open enrollment costs also increased the expenses in regular instruction.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction:				
Regular	\$8,835,982	\$8,490,969	\$8,024,014	\$7,815,390
Special	1,754,182	1,688,782	283,204	211,792
Vocational	304,740	269,543	248,834	205,355
Support Services:				
Pupils	659,929	700,166	596,746	636,217
Instructional Staff	845,753	831,487	845,753	831,487
Board of Education	135,130	137,783	135,130	137,783
Administration	1,383,805	1,385,079	1,383,805	1,385,079
Fiscal	483,047	465,675	483,047	465,675
Business	80,391	78,063	80,391	78,063
Operation and Maintenance of Plant	1,267,290	1,145,746	1,259,929	1,138,506
Pupil Transportation	890,687	857,722	862,908	817,826
Central	6,792	11,639	6,792	11,639
Noninstructional Services	693,889	670,023	31,716	84,074
Extracurricular Activities	511,954	470,329	402,590	357,714
Interest and Fiscal Charges	321,411	329,436	321,411	329,436
Total Expenses	\$18,174,982	\$17,532,442	\$14,966,270	\$14,506,036

Overall, the difference between the total cost of services and net costs of services did not change significantly from the prior fiscal year. Revenues supplied 82 percent of resources needed to finance school activities.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

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

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

Property tax receipts in the Bond Retirement debt service fund continue to be sufficient to cover debt service requirements.

The School District completed construction of the additions and improvements to the school facilities in fiscal year 2005. The School District is waiting for the final report from the Ohio School Facilities Commission to distribute any remaining cash balance.

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During fiscal year 2006, the School District amended its General Fund budget as needed.

The School District decreased final estimated revenues to match the actual amount of revenue received during the fiscal year. The most significant decreases were in property taxes, income taxes, and intergovernmental revenues. Property tax revenues were lower than original estimates based on a significant amount of delinquencies. Income taxes had been originally estimated with a modest 2.5 percent increase from fiscal year 2005; however, the revenue source actually decreased from fiscal year 2005.

During fiscal year 2006, the School District decreased appropriations by less than 1 percent. The School District's final appropriations are passed by the Board of Education at the end of the fiscal year to match actual expenditures plus encumbrances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2006, the School District had \$31,197,687 invested in capital assets (net of accumulated depreciation) for governmental activities. There were no additions to capital assets during fiscal year 2006. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt - The School District had general obligation bonds outstanding, in the amount of \$6,198,541, which will be repaid from a voted property tax levy of 3.9 mills.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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

CURRENT ISSUES

The School District has continued to spend the carryover cash balances because property taxes and state funding have not been sufficient to cover disbursements. The voters did not pass a .5 percent income tax levy placed on the November 2006 ballot by the School District. The tax was estimated to generate \$780,000 annually.

For fiscal year 2007, the School District reduced staffing levels by an assistant principal, 8.5 full-time equivalents in teaching personnel, a high school custodian, two secretaries, three aides, and one three hour cook. The elimination of staff provided a \$550,000 savings to the School District's operations. Over the last three fiscal years, the School District has reduced staffing levels and changed health care policies to generate a savings of \$1.2 million.

The Board of Education approved a three-year negotiated agreement with both the certified and classified employees. The agreements did not provide a pay increase in fiscal year 2007 and the unions will return to negotiations regarding salaries during fiscal year 2007 for the remaining two years of the agreement.

REQUEST FOR INFORMATION

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

*Statement of Net Assets
June 30, 2006*

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,161,325
Accounts Receivable	48,486
Accrued Interest Receivable	6,775
Intergovernmental Receivable	119,066
Income Taxes Receivable	662,067
Inventory Held for Resale	29,022
Property Taxes Receivable	4,174,659
Loans Receivable	10,374
Nondepreciable Capital Assets	293,585
Depreciable Capital Assets, Net	30,904,102
 <i>Total Assets</i>	 38,409,461
<u>Liabilities</u>	
Accrued Wages and Benefits Payable	1,254,147
Accounts Payable	7,189
Matured Compensated Absences Payable	45,580
Intergovernmental Payable	427,414
Accrued Interest Payable	21,763
Deferred Revenue	3,695,621
Long-Term Liabilities	
Due Within One Year	412,262
Due in More Than One Year	6,900,609
 <i>Total Liabilities</i>	 12,764,585
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	25,248,790
Restricted for:	
Debt Service	258,832
Capital Projects	1,354,958
Other Purposes	519,607
Unrestricted (Deficit)	(1,737,311)
 <i>Total Net Assets</i>	 \$25,644,876

See accompanying notes to the basic financial statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

*Statement of Activities
For the Fiscal Year Ended June 30, 2006*

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction:					
Regular	\$8,835,982	\$282,156	\$510,612	\$19,200	(\$8,024,014)
Special	1,754,182		1,470,978		(283,204)
Vocational	304,740		55,906		(248,834)
Support Services:					
Pupils	659,929	57,463	5,720		(596,746)
Instructional Staff	845,753				(845,753)
Board of Education	135,130				(135,130)
Administration	1,383,805				(1,383,805)
Fiscal	483,047				(483,047)
Business	80,391				(80,391)
Operation and Maintenance					
of Plant	1,267,290		7,361		(1,259,929)
Pupil Transportation	890,687		12,602	15,177	(862,908)
Central	6,792				(6,792)
Noninstructional Services	693,889	403,633	258,540		(31,716)
Extracurricular Activities	511,954	109,364			(402,590)
Interest and Fiscal Charges	321,411				(321,411)
<i>Total Governmental Activities</i>	<u>\$18,174,982</u>	<u>\$852,616</u>	<u>\$2,321,719</u>	<u>\$34,377</u>	<u>(14,966,270)</u>
General Revenues					
Property Taxes Levied for:					
					3,252,353
					64,783
					545,412
					139,850
					1,613,852
					17,544
					7,706,254
					107,396
					77,048
					<u>13,524,492</u>
					(1,441,778)
					<u>27,086,654</u>
					<u>\$25,644,876</u>

See accompanying notes to the basic financial statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

*Balance Sheet
Governmental Funds
June 30, 2006*

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$148,931	\$215,801	\$1,173,512	\$607,904	\$2,146,148
Accounts Receivable	6,999			41,487	48,486
Accrued Interest Receivable	5,898			877	6,775
Interfund Receivable	15,304				15,304
Intergovernmental Receivable	4,346			114,720	119,066
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	15,177				15,177
Income Taxes Receivable	662,067				662,067
Inventory Held for Resale				29,022	29,022
Property Taxes Receivable	3,393,419	567,536		213,704	4,174,659
Loans Receivable				10,374	10,374
<i>Total Assets</i>	<u>\$4,252,141</u>	<u>\$783,337</u>	<u>\$1,173,512</u>	<u>\$1,018,088</u>	<u>\$7,227,078</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities</u>					
Accrued Wages and Benefits Payable	\$1,138,601			\$115,546	\$1,254,147
Accounts Payable	7,189				7,189
Matured Compensated Absences Payable	45,580				45,580
Interfund Payable				15,304	15,304
Intergovernmental Payable	392,485			34,929	427,414
Deferred Revenue	3,243,523	\$520,822		198,530	3,962,875
<i>Total Liabilities</i>	<u>4,827,378</u>	<u>520,822</u>		<u>364,309</u>	<u>5,712,509</u>
<u>Fund Balances</u>					
Reserved for Property Taxes	273,272	46,714		17,425	337,411
Reserved for Bus Purchases	15,177				15,177
Reserved for Loans Receivable				8,009	8,009
Reserved for Encumbrances	56,868			67,878	124,746
Unreserved, Reported in					
General Fund (Deficit)	(920,554)				(920,554)
Special Revenue Funds				440,974	440,974
Debt Service Fund		215,801			215,801
Capital Projects Funds			\$1,173,512	119,493	1,293,005
<i>Total Fund Balances (Deficit)</i>	<u>(575,237)</u>	<u>262,515</u>	<u>1,173,512</u>	<u>653,779</u>	<u>1,514,569</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,252,141</u>	<u>\$783,337</u>	<u>\$1,173,512</u>	<u>\$1,018,088</u>	<u>\$7,227,078</u>

See accompanying notes to the basic financial statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2006*

<i>Total Governmental Fund Balances</i>	\$1,514,569
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***Amounts reported for governmental activities on the
statement of net assets are different because of the following:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,197,687
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accrued Interest Receivable	535	
Intergovernmental Receivable	2,251	
Income Taxes Receivable	122,841	
Property Taxes Receivable	141,627	
		267,254

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(21,763)	
General Obligation Bonds Payable	(6,198,541)	
Compensated Absences Payable	(1,114,330)	
		(7,334,634)

<i>Net Assets of Governmental Activities</i>	<u><u>\$25,644,876</u></u>
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See accompanying notes to the basic financial statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

*Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006*

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total
Revenues					
Property Taxes	\$3,250,093	\$545,062		\$204,498	\$3,999,653
Income Taxes	1,598,337				1,598,337
Payment in Lieu of Taxes	17,544				17,544
Intergovernmental	8,589,638	68,518	\$7,662	1,375,023	10,040,841
Interest	61,774		46,620	3,952	112,346
Tuition and Fees	282,156				282,156
Charges for Services				434,992	434,992
Extracurricular Activities				135,468	135,468
Gifts and Donations				20,665	20,665
Miscellaneous	35,444			41,604	77,048
<i>Total Revenues</i>	<u>13,834,986</u>	<u>613,580</u>	<u>54,282</u>	<u>2,216,202</u>	<u>16,719,050</u>
Expenditures					
Current:					
Instruction:					
Regular	7,615,696			295,224	7,910,920
Special	1,203,173			451,577	1,654,750
Vocational	292,512				292,512
Support Services:					
Pupils	531,130			111,217	642,347
Instructional Staff	481,698			270,205	751,903
Board of Education	135,130				135,130
Administration	1,192,834			77,979	1,270,813
Fiscal	430,730	17,362		6,523	454,615
Business	79,499				79,499
Operation and Maintenance of Plant	1,106,902			124,546	1,231,448
Pupil Transportation	816,912			5,056	821,968
Central	1,072			5,720	6,792
Noninstructional Services	10,727			649,241	659,968
Extracurricular Activities	355,444			95,157	450,601
Capital Outlay			7,662	32,777	40,439
Debt Service:					
Principal Retirement		325,000			325,000
Interest and Fiscal Charges		267,857			267,857
<i>Total Expenditures</i>	<u>14,253,459</u>	<u>610,219</u>	<u>7,662</u>	<u>2,125,222</u>	<u>16,996,562</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(418,473)</u>	<u>3,361</u>	<u>46,620</u>	<u>90,980</u>	<u>(277,512)</u>
Other Financing Sources (Uses)					
Transfers In				88	88
Transfers Out				(88)	(88)
<i>Total Other Financing Sources (Uses)</i>					
<i>Changes in Fund Balances</i>	(418,473)	3,361	46,620	90,980	(277,512)
<i>Fund Balances (Deficit) at Beginning of Year</i>	(156,764)	259,154	1,126,892	562,799	1,792,081
<i>Fund Balances (Deficit) at End of Year</i>	<u>(\$575,237)</u>	<u>\$262,515</u>	<u>\$1,173,512</u>	<u>\$653,779</u>	<u>\$1,514,569</u>

See accompanying notes to the basic financial statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

*Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Changes in Fund Balances - Total Governmental Funds (\$277,512)

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

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

Depreciation (1,254,841)

The book value of the capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (59,957)

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

Property Taxes	2,745	
Income Taxes	15,515	
Intergovernmental	(2,142)	
Interest	(1,964)	
		14,154

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 325,000

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

Annual Accretion	(54,671)	
Accrued Interest Payable	1,117	
		(53,554)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (135,068)

Change in Net Assets of Governmental Activities (\$1,441,778)

See accompanying notes to the basic financial statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

*Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$3,502,582	\$3,262,106	\$3,262,106	
Income Taxes	1,623,059	1,554,846	1,554,846	
Payment in Lieu of Taxes	12,000	17,544	17,544	
Intergovernmental	8,877,031	8,594,565	8,594,565	
Interest	50,000	61,296	61,296	
Tuition and Fees	83,800	281,958	281,958	
Miscellaneous	49,500	26,042	26,042	
<i>Total Revenues</i>	<u>14,197,972</u>	<u>13,798,357</u>	<u>13,798,357</u>	
Expenditures				
Current:				
Instruction:				
Regular	6,570,226	6,496,774	6,496,774	
Special	1,261,426	1,199,232	1,199,232	
Vocational	277,441	291,370	291,370	
Other	1,007,450	1,108,633	1,108,633	
Support Services:				
Pupils	547,518	535,786	535,786	
Instructional Staff	472,294	481,073	481,073	
Board of Education	120,102	135,131	135,131	
Administration	1,200,806	1,185,006	1,185,006	
Fiscal	450,070	430,116	430,116	
Business	77,022	79,525	79,525	
Operation and Maintenance of Plant	1,161,085	1,112,854	1,112,854	
Pupil Transportation	870,451	864,476	864,476	
Central	1,000	974	974	
Noninstructional Services	9,350	10,729	10,729	
Extracurricular Activities	354,116	364,895	364,895	
<i>Total Expenditures</i>	<u>14,380,357</u>	<u>14,296,574</u>	<u>14,296,574</u>	
<i>Excess of Revenues Under Expenditures</i>	<u>(182,385)</u>	<u>(498,217)</u>	<u>(498,217)</u>	
Other Financing Sources (Uses)				
Advances In	48,979	48,979	48,979	
Advances Out		(15,304)	(15,304)	
Transfers In	2,500			
Transfers Out	(1,021)			
<i>Total Other Financing Sources (Uses)</i>	<u>50,458</u>	<u>33,675</u>	<u>33,675</u>	
<i>Changes in Fund Balance</i>	<u>(131,927)</u>	<u>(464,542)</u>	<u>(464,542)</u>	
<i>Fund Balance at Beginning of Year</i>	505,517	505,517	505,517	
<i>Prior Year Encumbrances Appropriated</i>	<u>42,221</u>	<u>42,221</u>	<u>42,221</u>	
<i>Fund Balance at End of Year</i>	<u><u>\$415,811</u></u>	<u><u>\$83,196</u></u>	<u><u>\$83,196</u></u>	

See accompanying notes to the basic financial statements

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

*Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006*

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$61,577</u></u>
<u>Liabilities</u>	
Due to Students	\$59,708
Undistributed Assets	<u>1,869</u>
<i>Total Liabilities</i>	<u><u>\$61,577</u></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, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred seventy-eight square miles. It is located in Paulding County. The School District is the 330th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by eighty-two classified employees, one hundred twenty-eight certified teaching personnel, and twelve administrative employees who provide services to 1,650 students and other community members. The School District currently operates four instructional buildings.

Reporting Entity

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the high school general obligation bonds.

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2006. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for staff generated revenues for noninstructional activities and various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fund Financial Statements

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The Board adopts their final budgeted amounts at the end of the fiscal year to match actual expenditures plus year end encumbrances; therefore, no variances are reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget (Non-GAAP Basis) and Actual.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F. Cash and Investments

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

During fiscal year 2006, investments were limited to nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. The School District's investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. 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, 2006.

The Board of Education has specified the funds to receive an allocation of interest earnings according to State statute. Interest revenue credited to the General Fund during fiscal year 2006 was \$61,774, which includes \$37,445 assigned from other School District funds.

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

G. Restricted Assets

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

Restricted assets in the General Fund represent unexpended revenues restricted for bus purchases.

H. Inventory

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

I. Capital Assets

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 years
Buildings	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

K. Compensated Absences

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

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

L. Accrued Liabilities and Long-Term Obligations

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any net assets restricted by enabling legislation at June 30, 2006.

N. Fund Balance Reserves

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

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

O. Interfund Transactions

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

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

P. Extraordinary and Special Items

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Q. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2006, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets". GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and insurance recoveries. The implementation of this statement did not result in any change to the School District's financial statements.

NOTE 4 - ACCOUNTABILITY

At June 30, 2006, the General Fund, and the Food Service, Poverty Aid, Title I, and Title II A special revenue funds had deficit fund balances of \$575,237, \$18,652, \$353, \$2,979, and \$3,221, respectively, resulting from adjustments for accrued liabilities.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are as follows:

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)

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

Changes in Fund Balance	
GAAP Basis	(\$418,473)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received in Cash FY 2006	793,268
Accrued FY 2006, Not Yet Received in Cash	(828,252)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(1,546,783)
Accrued FY 2006, Not Yet Paid in Cash	1,582,901
Unrecorded Cash Activity FY 2005	183
Change in Fair Value	
End of Fiscal Year 2005	(149)
End of Fiscal Year 2006	(1,679)
Advances In	48,979
Advances Out	(15,304)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(79,233)
Budget Basis	(\$464,542)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

Investments

As of June 30, 2006, the School District had the following investments.

	Fair Value	Maturity
Federal Home Loan Bank Bonds	\$99,906	July 20, 2006
Federal Home Loan Bank Bonds	99,188	September 29, 2006
STAR Ohio	1,561,580	34.8 Days Average
Total Investments	\$1,760,674	

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

The Federal Home Loan Bank Bonds carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAAM by Standard and Poor's. The School 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.

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

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

The investments in Federal Home Loan Bank Bonds represented 11 percent of the total investment portfolio.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, property taxes, and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except loans receivable, are expected to be collected within one year.

The Bauer Loan and the Melrose Area Book Scholarship were established in 1958 and 1992, respectively, through contributions from estates. Qualified students may borrow up to \$4,000 to pay for the costs of higher education. Repayments begin twenty-four months after completion of a college program. After six years, the principal begins accruing interest at a rate set by the School District. Loans, in the amount of \$2,000, were issued in fiscal year 2006. Principal, in the amount of \$2,365, was repaid. Loans outstanding at June 30, 2006, were \$10,374. Loans receivable, in the amount of \$8,009, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	\$4,346
Other Governmental Funds	
Food Service	1,508
Ohio Reads	20,640
IDEA B	58,486
Title I	23,249
Drug Free	2,251
Handicap Preschool	5,236
Title II A	3,350
Total Other Governmental Funds	114,720
Total Intergovernmental Receivables	\$119,066

NOTE 8 - INCOME TAXES

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 9 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Paulding County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2006, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 9 - PROPERTY TAXES – (CONTINUED)

The amount available as an advance at June 30, 2006, was \$273,272 in the General Fund, \$5,447 in the Classroom Facilities Maintenance special revenue fund, \$46,714 in the Bond Retirement debt service fund, and \$11,978 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2005, was \$285,285 in the General Fund, \$5,684 in the Classroom Facilities Maintenance special revenue fund, \$48,825 in the Bond Retirement debt service fund, and \$12,519 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$124,797,500	85.02%	\$126,864,640	81.71%
Public Utility	13,662,200	9.31	13,379,630	8.62
Tangible Personal	8,325,954	5.67	15,012,919	9.67
Total Assessed Value	<u>\$146,785,654</u>	<u>100.00%</u>	<u>\$155,257,189</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$30.80	

NOTE 10 - PAYMENT IN LIEU OF TAXES

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

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$293,585	\$	\$	\$293,585

(continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 11 - CAPITAL ASSETS – (CONTINUED)

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Depreciable Capital Assets				
Land Improvements	\$2,148,541			\$2,148,541
Buildings	35,408,654		(\$73,262)	35,335,392
Equipment	702,890			702,890
Vehicles	1,357,823			1,357,823
Total Depreciable Capital Assets	<u>39,617,908</u>		<u>(73,262)</u>	<u>39,544,646</u>
Less Accumulated Depreciation				
Land Improvements	(325,917)	(\$62,209)		(388,126)
Buildings	(5,812,016)	(1,082,346)	13,305	(6,881,057)
Equipment	(158,311)	(53,722)		(212,033)
Vehicles	(1,102,764)	(56,564)		(1,159,328)
Total Accumulated Depreciation	<u>(7,399,008)</u>	<u>(1,254,841)</u>	<u>13,305</u>	<u>(8,640,544)</u>
Depreciable Capital Assets, Net	<u>32,218,900</u>	<u>(1,254,841)</u>	<u>(59,957)</u>	<u>30,904,102</u>
Governmental Activities Capital Assets, Net	<u>\$32,512,485</u>	<u>(\$1,254,841)</u>	<u>(\$59,957)</u>	<u>\$31,197,687</u>

Depreciation expense was charged to governmental functions as follows:

	Depreciation Expense
Instruction:	
Regular	\$780,391
Special	77,361
Vocational	1,017
Support Services:	
Pupils	18,276
Instructional Staff	92,862
Administration	111,327
Fiscal	14,274
Operation and Maintenance of Plant	12,620
Pupil Transportation	65,095
Noninstructional Services	52,299
Extracurricular Activities	29,319
Total Depreciation Expense	<u>\$1,254,841</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 12 - INTERFUND ASSETS/LIABILITIES

At June 30, 2006, the General Fund had an interfund receivable, in the amount of \$15,304, from other governmental funds to provide cash flow resources until the receipt of grant monies.

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted for the following insurance coverage.

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

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Building and Contents	44,497,522
Automobile Liability	1,000,000

Coverage provided by Ace Insurance Company is as follows:

Excess Liability	10,000,000
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Coverage provided by Federal Insurance Company is as follows:

Boiler and Machinery	50,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

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

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004 was \$904,764, \$906,738, and \$868,666, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$7,199 made by the School District and \$13,452 made by plan members.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, was \$194,934, \$194,948, and \$172,944, respectively; 48 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

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, 2006, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$70,151.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$91,018 for fiscal year 2006.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3 - 5%	\$5,900,000		\$325,000	\$5,575,000	\$320,000
Capital Appreciation Bonds 9.39%	373,897			373,897	
	6,273,897		325,000	5,948,897	320,000
Capital Appreciation Bond Accretion	194,973	\$54,671		249,644	
Total General Obligation Bonds	6,468,870	54,671	325,000	6,198,541	320,000
Compensated Absences Payable	979,262	235,976	100,908	1,114,330	92,262
Total Governmental Activities Long-Term Obligations	\$7,448,132	\$290,647	\$425,908	\$7,312,871	\$412,262

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

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

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

The capital appreciation bonds will mature in fiscal years 2008 and 2009. The maturity amount for the bonds is \$710,000. For fiscal year 2006, \$54,671 was accreted for a total bond value of \$623,541.

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)

The School District's overall debt margin was \$5,475,851 with an unvoted debt margin of \$126,942 at June 30, 2006.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2006, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2007	\$320,000	\$254,993	\$0	\$0
2008	0	248,832	195,520	159,480
2009	0	248,833	178,377	176,623
2010	350,000	241,395	0	0
2011	395,000	225,366	0	0
2012-2016	2,015,000	859,460	0	0
2017-2021	2,495,000	323,075	0	0
Totals	<u>\$5,575,000</u>	<u>\$2,401,954</u>	<u>\$373,897</u>	<u>\$336,103</u>

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

NOTE 18 - SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

	Textbooks	Capital Improvements
Balance June 30, 2005	(\$147,470)	
Current Year Set Aside Requirement	243,113	\$243,113
Qualifying Expenditures	(237,550)	(38,608)
Offsets		(204,505)
Balance June 30, 2006	<u>(\$141,907)</u>	
Amount Carried Forward to Fiscal Year 2007	<u>(\$141,907)</u>	

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 18 - SET ASIDES – (CONTINUED)

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

NOTE 19 - INTERFUND TRANSFERS

During fiscal year 2006, other governmental funds made transfers to other governmental funds, in the amount of \$88, to subsidize activities in other funds.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. West Central Ohio Regional Professional Development Center

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

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

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

C. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2006, the School District paid \$11,197 to the NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

D. Vantage Career Center

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

NOTE 21 - INSURANCE POOLS

A. Northwest Ohio Educational Council Insurance Pool Program

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

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

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

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

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, the Corporation may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$17,852 per year. A portion of the refund may be recovered from additional State entitlement payments.

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
School Breakfast Program		10.553
National School Lunch Program		10.555
Special Milk Program for Children		10.556
Child and Adult Care Food Program		10.558
Total Nutrition Cluster		
Food Donation		10.550
Total U.S. Department of Agriculture		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education Grants to States	045575-6BSF-2006	84.027
	045575-6BSD-2006	84.027
	045575-6BPB-2006	84.027
Total Special Education Grants to States		
Special Education Preschool Grants	045575-PGS1-2006	84.173
Total Special Education Cluster		
Title I Grants to Local Educational Agencies	045575-C1S1-2006	84.010
Safe and Drug Free Schools and Communities State Grant	045575-DRS1-2005	84.186
	045575-DRS1-2006	84.186
Total Safe and Drug Free Schools and Communities State Grant		
State Grants for Innovative Programs	045575-C2S1-2005	84.298
	045575-C2S1-2006	84.298
Total State Grants for Innovative Programs		
Education Technology State Grants	045575-TJS1-2005	84.318
	045575-TJS1-2006	84.318
Total Education Technology State Grants		

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ 11,741		\$ 11,741	
176,984		176,984	
1,274		1,274	
1,296		1,296	
<u>191,295</u>		<u>191,295</u>	
	\$ 52,598		\$ 52,598
<u>191,295</u>	<u>52,598</u>	<u>191,295</u>	<u>52,598</u>
378,129		411,866	
50,000		50,000	
16,810		16,810	
<u>444,939</u>		<u>478,676</u>	
36,706		38,623	
<u>481,645</u>		<u>517,299</u>	
214,189		231,529	
288		288	
6,868		6,857	
<u>7,156</u>		<u>7,145</u>	
2,464			
5,019		5,019	
<u>7,483</u>		<u>5,019</u>	
1,732		1,732	
6,652		6,139	
<u>8,384</u>		<u>7,871</u>	

(Continued)

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF EDUCATION (Continued)		
Advanced Placement Program	044575-AVTF-2004	84.330
Improving Teacher Quality State Grants	044575-TJS1-2005	84.367
	045575-TRS1-2006	84.367
Total Improving Teacher Quality State Grants		
Total Department of Education		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>Passed Through Ohio Department of MRDD</i>		
Medical Assistance Program- Community Alternative Funding Systems	FY 2006	93.778
State Children's Insurance Program	FY 2006	93.767
Total U.S. Department of Health and Human Services		
Totals		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
156		156	
43,874		43,874	
73,651		73,420	
<u>117,525</u>		<u>117,294</u>	
<u>836,538</u>		<u>886,313</u>	
21,827		21,827	
3,262		3,262	
<u>25,089</u>		<u>25,089</u>	
<u>\$ 1,052,922</u>	<u>\$ 52,598</u>	<u>\$ 1,102,697</u>	<u>\$ 52,598</u>

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 28, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

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

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

Paulding Exempted Village School District
Paulding County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By Government Auditing Standards
Page 2

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

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

Mary Taylor, CPA
Auditor of State

February 28, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Paulding Exempted Village School District, Paulding County, 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 apply to its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Paulding Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

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



Mary Taylor, CPA
Auditor of State

February 28, 2007

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2007