



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF PAULDING  
PAULDING COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Paulding  
Paulding County  
116 South Main Street  
Paulding, Ohio 45879-1408

To the Village Council:

We have audited the accompanying financial statements of the Village of Paulding (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As discussed in Note 2 to the financial statements, during 2000 the Village reclassified several of its funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

May 29, 2002

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**VILLAGE OF PAULDING  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Cash Receipts:</b>		
Property Tax and Other Local Taxes	\$383,975	\$283,613
Special Assessments	283	
Intergovernmental Receipts	105,667	186,590
Charges for Services	10,640	110,711
Fines, Licenses, and Permits	19,603	5,107
Earnings on Investments	46,995	
Miscellaneous	27,047	20,513
Total Cash Receipts	594,210	606,534
<b>Cash Disbursements:</b>		
Current:		
Security of Persons and Property	48,793	205,379
Public Health Services	13,712	65,040
Leisure Time Activities	18,516	62,199
Community Environment	1,548	
Basic Utility Services	23,872	
Transportation	2,787	75,867
General Government	151,984	400
Debt Service:		
Principal Payments	12,784	
Interest Payments		
Capital Outlay	61,597	124,740
Total Cash Disbursements	335,593	533,625
Total Receipts Over/(Under) Disbursements	258,617	72,909
<b>Other Financing Receipts/(Disbursements):</b>		
Sale of Bonds or Notes		25,000
Transfers-In		16,000
Other Financing Sources		32,910
Transfers-Out	(55,000)	
Total Other Financing Receipts/(Disbursements)	(55,000)	73,910
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	203,617	146,819
Fund Cash Balances, January 1	182,641	548,510
<b>Fund Cash Balances, December 31</b>	<b>\$386,258</b>	<b>\$695,329</b>
Reserves for Encumbrances, December 31	\$72,253	\$325,752

*The notes to the financial statements are an integral part of this statement.*



<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$98,049		\$765,637
		283
11,885	\$31,674	335,816
		121,351
	6,156	30,866
	14,012	61,007
		47,560
<u>109,934</u>	<u>51,842</u>	<u>1,362,520</u>
		254,172
		78,752
	11,652	92,367
		1,548
6,689		30,561
		78,654
		152,384
50,000	990,000	1,052,784
54,448		54,448
	911,446	1,097,783
<u>111,137</u>	<u>1,913,098</u>	<u>2,893,453</u>
<u>(1,203)</u>	<u>(1,861,256)</u>	<u>(1,530,933)</u>
	990,000	1,015,000
		16,000
		32,910
		(55,000)
	<u>990,000</u>	<u>1,008,910</u>
(1,203)	(871,256)	(522,023)
<u>107,559</u>	<u>974,132</u>	<u>1,812,842</u>
<u><b>\$106,356</b></u>	<u><b>\$102,876</b></u>	<u><b>\$1,290,819</b></u>
	<u>\$29,214</u>	<u>\$427,219</u>

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$821,484
Miscellaneous	21,612
	<u>843,096</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	372,522
Contractual Services	134,768
Supplies and Materials	35,637
Capital Outlay	471,456
	<u>1,014,383</u>
Total Operating Cash Disbursements	<u>1,014,383</u>
Operating Income/(Loss)	<u>(171,287)</u>
<b>Non-Operating Cash Receipts:</b>	
Sale of Fixed Assets	1,771
Proceeds from Notes and Bonds	1,137,774
Other Non-Operating Receipts	20,449
	<u>1,159,994</u>
Total Non-Operating Cash Receipts	<u>1,159,994</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	805,401
Other Non-Operating Cash Disbursements	10,861
	<u>816,262</u>
Total Non-Operating Cash Disbursements	<u>816,262</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	172,445
Transfers-In	58,620
Transfers-Out	(28,620)
	<u>202,445</u>
Net Receipts Over Disbursements	202,445
Fund Cash Balances, January 1	197,095
	<u>197,095</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$399,540</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$240,649</u></u>

*The notes to the financial statements are an integral part of this statement.*

<u>Fiduciary Fund Types</u>		
<u>Nonexpendable Trust</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
	\$68,309	\$889,793
\$17	19,691	41,320
17	88,000	931,113
	50	372,572
	43,443	178,211
	1,398	37,035
	16,088	487,544
	60,979	1,075,362
17	27,021	(144,249)
		1,771
		1,137,774
		20,449
		1,159,994
	27,976	833,377
16	7,284	18,161
16	35,260	851,538
1	(8,239)	164,207
	9,000	67,620
		(28,620)
1	761	203,207
1,668	3,095	201,858
<b>\$1,669</b>	<b>\$3,856</b>	<b>\$405,065</b>
	\$2,337	\$242,986

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Cash Receipts:</b>		
Property Tax and Other Local Taxes	\$124,272	\$277,298
Special Assessments	160	
Intergovernmental Receipts	116,849	192,487
Charges for Services	14,282	77,871
Fines, Licenses, and Permits	16,593	33,239
Earnings on Investments	48,152	
Miscellaneous	7,148	12,882
	<u>327,456</u>	<u>593,777</u>
<b>Cash Disbursements:</b>		
Current:		
Security of Persons and Property	47,729	278,176
Public Health Services	14,514	60,728
Leisure Time Activities	16,322	1,324
Community Environment	889	
Basic Utility Services	26,741	248
Transportation	4,308	50,724
General Government	123,730	2,196
Capital Outlay	23,575	154,237
	<u>257,808</u>	<u>547,633</u>
Total Cash Receipts	<u>327,456</u>	<u>593,777</u>
Total Cash Disbursements	<u>257,808</u>	<u>547,633</u>
Total Receipts Over/(Under) Disbursements	<u>69,648</u>	<u>46,144</u>
<b>Other Financing Receipts/(Disbursements):</b>		
Sale of Bonds or Notes	25,567	
Transfers-In		95,000
Advances-In	40,000	35,000
Other Financing Sources		2,955
Transfers-Out	(95,000)	
Advances-Out		(75,000)
	<u>(29,433)</u>	<u>57,955</u>
Total Other Financing Receipts/(Disbursements)	<u>(29,433)</u>	<u>57,955</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	40,215	104,099
Fund Cash Balances January 1	142,426	444,411
<b>Fund Cash Balances, December 31</b>	<u><b>\$182,641</b></u>	<u><b>\$548,510</b></u>
Reserves for Encumbrances, December 31	<u>\$16,733</u>	<u>\$24,802</u>

*The notes to the financial statements are an integral part of this statement.*

<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$96,087		\$497,657
11,527	\$85,987	160
		406,850
		92,153
	8,929	49,832
		57,081
		20,030
<u>107,614</u>	<u>94,916</u>	<u>1,123,763</u>
		325,905
		75,242
	70,477	88,123
		889
		26,989
55		55,032
	110,307	125,981
		288,119
<u>55</u>	<u>180,784</u>	<u>986,280</u>
<u>107,559</u>	<u>(85,868)</u>	<u>137,483</u>
	1,040,000	1,065,567
		95,000
		75,000
		2,955
		(95,000)
		(75,000)
	<u>1,040,000</u>	<u>1,068,522</u>
107,559	954,132	1,206,005
	20,000	606,837
<u>\$107,559</u>	<u>\$974,132</u>	<u>\$1,812,842</u>
	<u>\$28,840</u>	<u>\$70,375</u>

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$729,644
Miscellaneous	26,340
	755,984
Total Operating Cash Receipts	755,984
<b>Operating Cash Disbursements:</b>	
Personal Services	344,786
Contractual Services	162,146
Supplies and Materials	42,206
Capital Outlay	109,419
	658,557
Total Operating Cash Disbursements	658,557
Operating Income/(Loss)	97,427
<b>Non-Operating Cash Receipts:</b>	
Proceeds from Notes and Bonds	720,000
Other Non-Operating Receipts	20,045
	740,045
Total Non-Operating Cash Receipts	740,045
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	863,978
Other Non-Operating Cash Disbursements	7,745
	871,723
Total Non-Operating Cash Disbursements	871,723
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(34,251)
Transfers-In	42,289
Transfers-Out	(42,289)
	(34,251)
Net Receipts Over/(Under) Disbursements	(34,251)
Fund Cash Balances, January 1	231,346
<b>Fund Cash Balances, December 31</b>	<b>\$197,095</b>
Reserve for Encumbrances, December 31	\$84,365

*The notes to the financial statements are an integral part of this statement.*

<u>Fiduciary Fund Types</u>		
<u>Nonexpendable Trust</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
	\$69,975	\$799,619
\$30	52,469	78,839
30	122,444	878,458
	1,147	345,933
	36,629	198,775
	5,171	47,377
	132,591	242,010
	175,538	834,095
30	(53,094)	44,363
	112,432	832,432
		20,045
	112,432	852,477
	30,307	894,285
50	28,705	36,500
50	59,012	930,785
(20)	326	(33,945)
		42,289
		(42,289)
(20)	326	(33,945)
1,688	2,769	235,803
<b>\$1,668</b>	<b>\$3,095</b>	<b>\$201,858</b>
	\$1,620	\$85,985

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**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Paulding (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including water and sewer utilities, park operations, mayor's court and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

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

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

*Police Fund* -This fund receives property tax money paid by Village residents, and Mayor's Court costs to operate the police department.

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

*Pool Bond Levy Fund* - This fund is used to account for the accumulation of resources for, and the payment of, bond anticipation notes, interest, and related costs associated with the improvement of the Village swimming pool.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

*Pool Improvement Fund* - This fund received proceeds of bond anticipation notes. The proceeds were used to improve the Village swimming pool.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**6. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had no expendable trust funds. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

*Mayor's Court Fund* - This fund receives fine money generated by the Village Mayor's Court. The money is disbursed to the Village Police Fund, the State Treasurer, or other appropriate agencies.

*Paulding Community Fire Association Fund*: This fund is used to account for the activities of the Paulding Community Fire Association for which the Village serves as fiscal agent

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control for 2000 and the fund level for 2001, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 4.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. PRIOR PERIOD RESTATEMENT**

As of January 1, 2000, the Village made the following changes to its fund structure:

- In prior years the Village had accounted for tax money from a tax levy approved for current expenses in a separate special revenue fund, for 2000 the Village began accounting for this money as part of the General fund.
- In prior years the Police and Fire Pension funds were accounted for as expendable trust funds, for 2000 these funds have been appropriately classified as special revenue funds. This change

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

had no affect on the previously reported balances or excess of revenues over under expenditures.

- In prior years the sale of cemetery lots had been accounted for in a non-expendable trust fund, for 2000 this fund has been appropriately classified as a special revenue fund.
- In prior years court computerization fees had been accounted for in the Mayor's Court agency fund, for 2000 the Village began accounting for these funds in a separate special revenue fund.

These changes had the following affect on fund balances previous reported by the Village:

	General Fund	Special Revenue Fund	Nonexpendable Trust Fund	Agency Funds
Fund balances as previously reported at December 31, 1999	\$92,355	\$479,221	\$4,479	\$15,240
Adjustments for changes to fund structure	50,071	(34,810)	(2,791)	(12,471)
Adjusted balances January 1, 2000	<u>\$142,426</u>	<u>\$444,411</u>	<u>\$1,688</u>	<u>\$2,769</u>

These changes had the following affect on the excess of revenues over expenditures as previous reported by the Village:

	General Fund	Special Revenue Fund	Nonexpendable Trust Fund	Agency Funds
Excess as previously reported at December 31, 1999	\$44,114	\$64,164	\$556	\$6,037
Adjustments for changes to fund structure	10,443	(6,493)	(490)	(3,460)
Adjusted excess at December 31, 1999	<u>\$54,557</u>	<u>\$57,671</u>	<u>\$66</u>	<u>\$2,577</u>

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Cash on hand	\$500	\$500
Demand deposits	769,525	1,141,315
Certificates of deposit	925,859	872,885
Total deposits and investments	<u>\$1,695,884</u>	<u>\$2,014,700</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF PAULDING  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

At December 31, 200 \$100,000 respectively of deposits were not insured or collateralized, contrary to Ohio law.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$594,209	\$594,210	\$1
Special Revenue	679,664	680,444	780
Debt Service	109,933	109,934	1
Capital Projects	20,168	1,041,842	1,021,674
Enterprise	1,434,678	2,061,710	627,032
Nonexpendable Trust	17	17	
Total	<u>\$2,838,669</u>	<u>\$4,488,157</u>	<u>\$1,649,488</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$617,328	\$462,846	\$154,482
Special Revenue	1,033,922	859,377	174,545
Debt Service	115,000	111,137	3,863
Capital Projects	1,007,972	1,942,312	(934,340)
Enterprise	1,666,935	2,099,914	(432,979)
Nonexpendable Trust	200	16	184
Total	<u>\$4,441,357</u>	<u>\$5,475,602</u>	<u>\$(1,034,245)</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$294,922	\$353,023	\$58,101
Special Revenue	723,212	691,732	(31,480)
Debt Service	107,614	107,614	
Capital Projects	1,048,929	1,134,916	85,987
Enterprise	853,955	1,538,318	684,363
Nonexpendable Trust	30	30	
Total	<u>\$3,028,662</u>	<u>\$3,825,633</u>	<u>\$796,971</u>

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$359,731	\$369,541	\$(9,810)
Special Revenue	691,414	572,435	118,979
Debt Service	100	55	45
Capital Projects	131,000	209,624	(78,624)
Enterprise	1,012,705	1,656,934	(644,229)
Nonexpendable Trust		50	(50)
Total	<u>\$2,194,950</u>	<u>\$2,808,639</u>	<u>\$(613,689)</u>

At November 30, 2000 there were 351 instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$3 to \$95,504. In 2001 the legal level of control was changed to the fund level and at November 30, 2001 there were 7 instances in which expenditures exceeded appropriations at the fund level of control, in amounts ranging from \$2,096 to \$129,997. In addition, the following funds were found to have expenditures in excess of appropriations at year end:

	<u>Amount Appropriated</u>	<u>Amount Expended</u>	<u>Amount of Expenditures over Appropriations</u>
<b>December 31, 2000</b>			
General Fund	\$359,731	\$369,541	\$9,810
Permissive License	600	739	139
Rehab Program	6,000	6,248	248
Computerization Fund		2,196	2,196
Capital Improvements Fund	1,000	85,987	84,987
Sewer Fund	514,143	1,004,075	489,932
Water Capital Improvement Fund	43,000	232,391	189,391
Goings-Greens Fund		50	50
<b>December 31, 2001</b>			
General – Income Tax Fund		70,013	70,013
Permissive License	34,800	66,000	31,200
Computerization Fund		400	400
Capital Improvements Fund	25,000	48,128	23,128
Pool Improvement Fund	982,972	1,894,184	911,212
Sewer Fund	997,887	1,369,473	371,586
Water Capital Improvement Fund	44,920	203,549	158,629

The Village did not certify all obligations prior to the commitment being incurred as required by Ohio Revised Code § 5705.41(D).

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**6. LOCAL INCOME TAX**

Beginning January 1, 2001, the Village levies a municipal income tax of one-half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Central Collection Agency either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax receipts are credited to the General Fund.

**7. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$413,581	4.50%
Ohio Water Development Authority Loan 4020	27,281	6.35%
Ohio Water Development Authority Loan 3367	267,774	6.03%
Ohio Department of Development Loan	12,784	0.00%
Various Purpose Improvement Note	895,000	4.25%
Bond Anticipation Note	990,000	3.75%
Total	\$2,606,420	

The Village has two Ohio Public Works Commission (OPWC) loans. They are both 20 year 4.5% loans. The first loan was for lagoon improvements entered into in 1993 with semiannual installments of \$7,323, including interest. The second loan was for interceptor improvements entered into in 1995 with semiannual installments of \$14,110 including interest.

The Ohio Water Development Authority (OWDA) loans were entered into as cooperative agreements for the construction, maintenance and operation of water and sewer development projects. Loan #4020, which had its first installments due January 1, 1997, will be repaid in semiannual installments of \$1,467, including interest, over 20 years. On October 26, 2000, loan #3367 was approved by OWDA for the Village in the amount of \$582,590 with a 15 year term, at a 6.03% interest rate, first repayment to begin July 1, 2002. At December 31, 2001 only \$267,774

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

had been drawn on this loan. The scheduled payment amount below assumes the total \$582,590 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed.

The Ohio Department of Development (ODOD) loan was entered into in March 2000 to upgrade the Village's Water Plant and Utilities Department computers to ensure year 2000 compliance. The loan must be paid in full at the end of a two-year term, which ends February 1, 2002.

The Village issued a various improvement note for various capital improvement projects of the Village with a maturity date of May 30, 2002. Of the \$895,000, \$625,000 was a renewal of a general obligation note for sewer related construction projects and water improvement projects. The remaining \$270,000 was for new projects relating to improving Gasser Road and the water treatment plant.

The Village renewed their bond anticipation notes for a one year period with a maturity date of September 19, 2002. The original note was issued in 2000 in the amount of \$1,040,000. The note was issued for the purpose of renovating, improving and equipping the village swimming pool.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC Loan	OWDA Loan 4020	OWDA Loan 3367	ODOD Loan	Various Improvement Note	Bond Anticipation Note
2002	\$21,433	\$1,467	\$20,969	\$12,784	\$933,038	\$1,027,125
2003	42,866	2,935	41,938			
2004	42,866	2,935	41,938			
2005	42,866	2,935	41,938			
2006	42,866	2,935	41,938			
Subsequent	356,504	29,350	440,349			
Total	<u>\$549,401</u>	<u>\$42,557</u>	<u>\$629,070</u>	<u>\$12,784</u>	<u>\$933,038</u>	<u>\$1,027,125</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.



**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Village also provides health insurance to full-time employees through a private carrier.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Paulding  
Paulding County  
116 South Main Street  
Paulding, Ohio 45879-1408

To the Village Council:

We have audited the accompanying financial statements of the Village of Paulding (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 29, 2002, in which we disclosed the Village reclassified several funds. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30263-001, 2001-30263-002 and 2001-30263-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 29, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 29, 2002.

Village of Paulding  
Paulding County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the finance committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

May 29, 2002

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

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

**FINDING NUMBER 2001-30263-001**

**Noncompliance Citation**

Ohio Revised Code § 135.18 requires the Clerk/Treasurer before making a deposit in a public depository to require the institution to pledge eligible securities, as collateral, to adequately protect the public money deposited. Such collateral is to be deposited with the treasurer or with a qualified third party trustee.

The Village had deposits at First Federal Bank which exceeded the amount of FDIC and collateral pledged by \$100,000, as of December 31, 2000. No prescribed procedures exist to routinely monitor the adequacy of collateral on deposits at public depositories. To provide greater assurance that public deposits are protected from loss, we recommend management regularly review collateral on deposits to ensure the market value of eligible securities held by qualified trustees sufficiently cover all bank deposits.

**FINDING NUMBER 2001-30263-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

At November 30, 2000 there were 351 instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$3 to \$95,504. In 2001 the legal level of control was changed to the fund level and at November 30, 2001 there were 7 instances in which expenditures exceeded appropriations at the fund level of control, in amounts ranging from \$2,096 to \$129,997. In addition, the following funds were found to have expenditures in excess of appropriations at year end:

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**FINDING NUMBER 2001-30263-002  
(Continued)**

The Clerk/Treasurer should not issue purchase orders for expenditures that would exceed appropriations. The Clerk/Treasurer should inform Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

**FINDING NUMBER 2001-30263-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

Forty-five percent of the transactions tested did not include prior certification of the Clerk/Treasurer nor were they certified using a then-and-now certification. Certification is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Clerk/Treasurer and that Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Clerk/Treasurer and recorded against appropriations.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-30263-001	<b>ORC § 5705.41(B)</b> expenditures in excess of appropriations	No	Finding has not been corrected and is repeated in this report as finding 2001-30263-002.
1999-30263-002	<b>ORC § 5705.41(D)</b> certification of funds	No	Finding has not been corrected and is repeated in this report as finding 2001-30263-003.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF PAULDING**

**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  
JUNE 25, 2002**