



**Auditor of State
Betty Montgomery**

**VILLAGE OF PAULDING
PAULDING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
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, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
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, 2002.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	22

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Mayor, Administrator, and Village Council:

We have audited the accompanying financial statements of the Village of Paulding, Paulding County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 15, 2004

**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, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 569,044	\$ 282,187	\$ 107,925	\$ -	\$ 959,156
Special Assessments	351	-	-	-	351
Intergovernmental Receipts	88,260	212,928	13,194	-	314,382
Charges for Services	9,130	126,593	-	-	135,723
Fines, Licenses, and Permits	19,224	3,434	-	8,402	31,060
Earnings on Investments	21,190	2,434	-	37	23,661
Miscellaneous	41,760	12,457	-	151	54,368
Total Cash Receipts	<u>748,959</u>	<u>640,033</u>	<u>121,119</u>	<u>8,590</u>	<u>1,518,701</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	52,316	395,073	-	-	447,389
Public Health Services	12,188	-	-	-	12,188
Leisure Time Activities	30,386	75,071	-	-	105,457
Community Environment	10,665	256	-	-	10,921
Basic Utility Services	10,150	-	-	-	10,150
Transportation	16,913	120,844	-	-	137,757
General Government	198,595	-	-	-	198,595
Debt Service:					
Principal Payments	-	11,561	890,000	-	901,561
Interest Payments	-	-	25,661	-	25,661
Capital Outlay	-	70,909	-	6,246	77,155
Total Cash Disbursements	<u>331,213</u>	<u>673,714</u>	<u>915,661</u>	<u>6,246</u>	<u>1,926,834</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>417,746</u>	<u>(33,681)</u>	<u>(794,542)</u>	<u>2,344</u>	<u>(408,133)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes	-	-	790,000	-	790,000
Transfers-In	-	106,000	-	-	106,000
Transfers-Out	(409,277)	-	-	-	(409,277)
Total Other Financing Receipts and (Disbursements)	<u>(409,277)</u>	<u>106,000</u>	<u>790,000</u>	<u>-</u>	<u>486,723</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	8,469	72,319	(4,542)	2,344	78,590
Fund Cash Balances, January 1	506,252	569,670	82,569	27,859	1,186,350
Fund Cash Balances, December 31	<u>\$ 514,721</u>	<u>\$ 641,989</u>	<u>\$ 78,027</u>	<u>\$ 30,203</u>	<u>\$ 1,264,940</u>
Reserves for Encumbrances, December 31	<u>\$ 15,572</u>	<u>\$ 16,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,133</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**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, 2003**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 843,548	\$ -	\$ 45,752	\$ 889,300
Miscellaneous	37,898	5	5,095	42,998
Total Operating Cash Receipts	<u>881,446</u>	<u>5</u>	<u>50,847</u>	<u>932,298</u>
Operating Cash Disbursements:				
Personal Services	389,153	-	15,804	404,957
Contractual Services	284,925	-	17,497	302,422
Supplies and Materials	48,895	20	4,729	53,644
Capital Outlay	123,720	-	16,937	140,657
Total Operating Cash Disbursements	<u>846,693</u>	<u>20</u>	<u>54,967</u>	<u>901,680</u>
Operating Income (Loss)	<u>34,753</u>	<u>(15)</u>	<u>(4,120)</u>	<u>30,618</u>
Non-Operating Cash Receipts:				
Sale of Notes	635,000	-	-	635,000
Intergovernmental Revenue	-	-	6,333	6,333
Special Assessments	7,813	-	-	7,813
Debt Service	-	-	27,976	27,976
Other Non-Operating Receipts	194,055	-	13,169	207,224
Total Non-Operating Cash Receipts	<u>836,868</u>	<u>-</u>	<u>47,478</u>	<u>884,346</u>
Non-Operating Cash Disbursements:				
Debt Service	1,021,056	-	27,976	1,049,032
Other Non-Operating Disbursements	177,677	-	13,169	190,846
Total Non-Operating Cash Disbursements	<u>1,198,733</u>	<u>-</u>	<u>41,145</u>	<u>1,239,878</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(327,112)	(15)	2,213	(324,914)
Transfers-In	<u>303,277</u>	<u>-</u>	<u>-</u>	<u>303,277</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(23,835)	(15)	2,213	(21,637)
Fund Cash Balances, January 1	<u>654,013</u>	<u>1,664</u>	<u>2,215</u>	<u>657,892</u>
Fund Cash Balances, December 31	<u>\$ 630,178</u>	<u>\$ 1,649</u>	<u>\$ 4,428</u>	<u>\$ 636,255</u>
Reserve for Encumbrances, December 31	<u>\$ 95,079</u>	<u>\$ -</u>	<u>\$ 1,393</u>	<u>\$ 96,472</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**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, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 564,089	\$ 269,254	\$ 103,735	\$ -	\$ 937,078
Special Assessments	421	-	-	-	421
Intergovernmental Receipts	89,040	349,228	12,955	-	451,223
Charges for Services	10,810	119,569	-	-	130,379
Fines, Licenses, and Permits	2,610	4,743	-	10,375	17,728
Earnings on Investments	28,363	5,997	-	393	34,753
Miscellaneous	44,096	57,877	-	1,911	103,884
Total Cash Receipts	<u>739,429</u>	<u>806,668</u>	<u>116,690</u>	<u>12,679</u>	<u>1,675,466</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	53,536	341,675	-	-	395,211
Public Health Services	5,460	-	-	-	5,460
Leisure Time Activities	18,166	75,433	-	-	93,599
Community Environment	6,759	208	-	-	6,967
Basic Utility Services	10,138	-	-	-	10,138
Transportation	2,339	68,391	-	-	70,730
General Government	159,376	-	-	-	159,376
Debt Service:					
Principal Payments	-	11,561	990,000	-	1,001,561
Interest Payments	-	-	40,477	-	40,477
Capital Outlay	84,280	460,131	-	86,786	631,197
Total Cash Disbursements	<u>340,054</u>	<u>957,399</u>	<u>1,030,477</u>	<u>86,786</u>	<u>2,414,716</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>399,375</u>	<u>(150,731)</u>	<u>(913,787)</u>	<u>(74,107)</u>	<u>(739,250)</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes	-	-	890,000	-	890,000
Transfers-In	-	25,072	-	-	25,072
Transfers-Out	(279,381)	-	-	-	(279,381)
Other Uses	-	-	-	(910)	(910)
Total Other Financing Receipts and (Disbursements)	<u>(279,381)</u>	<u>25,072</u>	<u>890,000</u>	<u>(910)</u>	<u>634,781</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	119,994	(125,659)	(23,787)	(75,017)	(104,469)
Fund Cash Balances, January 1	386,258	695,329	106,356	102,876	1,290,819
Fund Cash Balances, December 31	<u>\$ 506,252</u>	<u>\$ 569,670</u>	<u>\$ 82,569</u>	<u>\$ 27,859</u>	<u>\$ 1,186,350</u>
Reserves for Encumbrances, December 31	\$ 5,983	\$ 9,505	\$ -	\$ -	\$ 15,488

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**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, 2002**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 846,495	\$ -	\$ 52,998	\$ 899,493
Miscellaneous	23,956	14	36,193	60,163
Total Operating Cash Receipts	<u>870,451</u>	<u>14</u>	<u>89,191</u>	<u>959,656</u>
Operating Cash Disbursements:				
Personal Services	364,572	-	15,641	380,213
Contractual Services	258,628	-	15,920	274,548
Supplies and Materials	35,750	19	6,719	42,488
Capital Outlay	524,074	-	38,307	562,381
Total Operating Cash Disbursements	<u>1,183,024</u>	<u>19</u>	<u>76,587</u>	<u>1,259,630</u>
Operating Loss	<u>(312,573)</u>	<u>(5)</u>	<u>12,604</u>	<u>(299,974)</u>
Non-Operating Cash Receipts:				
Intergovernmental Receipts	101,618	-	-	101,618
Sale of Notes	890,000	-	-	890,000
Other Non-Operating Revenues	156,366	-	15,723	172,089
Debt Service	314,816	-	27,976	342,792
Total Non-Operating Cash Receipts	<u>1,462,800</u>	<u>-</u>	<u>43,699</u>	<u>1,506,499</u>
Non-Operating Cash Disbursements:				
Debt Service	1,013,012	-	28,226	1,041,238
Other Non-Operating Disbursements	137,051	-	29,718	166,769
Total Non-Operating Cash Disbursements	<u>1,150,063</u>	<u>-</u>	<u>57,944</u>	<u>1,208,007</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	164	(5)	(1,641)	(1,482)
Transfers-In	256,492	-	-	256,492
Transfers-Out	<u>(2,183)</u>	<u>-</u>	<u>-</u>	<u>(2,183)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	254,473	(5)	(1,641)	252,827
Fund Cash Balances, January 1	<u>399,540</u>	<u>1,669</u>	<u>3,856</u>	<u>405,065</u>
Fund Cash Balances, December 31	<u>\$ 654,013</u>	<u>\$ 1,664</u>	<u>\$ 2,215</u>	<u>\$ 657,892</u>
Reserve for Encumbrances, December 31	<u>\$ 31,741</u>	<u>\$ -</u>	<u>\$ 1,518</u>	<u>\$ 33,259</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Paulding, Paulding County, (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, fire, and EMS 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

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.

**VILLAGE OF PAULDING
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2. Special Revenue Funds

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.

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 Funds

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 property tax monies paid by the Village residents and to account for the payment of principal and interest on bond anticipation notes used to pay costs on the improvements 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 is used to pay for improvements made on the Village's 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:

**VILLAGE OF PAULDING
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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. 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. Fine money is disbursed to the Village Police fund, Mayor's Court Computer fund, the State Treasurer, and other appropriate agencies.

Paulding Community Fire Association Fun – This fund is used to account for the activities of the Paulding Community Fire Association for which the Village serves as fiscal agent.

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 level of control 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.

**VILLAGE OF PAULDING
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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. EQUITY IN POOLED CASH

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

	<u>2003</u>	<u>2002</u>
Cash on hand	\$ 500	\$ 500
Demand deposits	\$575,403	\$519,227
Certificates of deposit	<u>1,325,292</u>	<u>1,324,515</u>
Total deposits and cash on hand	<u>\$ 1,901,195</u>	<u>\$ 1,844,242</u>

**VILLAGE OF PAULDING
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 740,762	\$ 748,959	\$ 8,197
Special Revenue	735,628	746,033	10,405
Debt Service	116,690	911,119	794,429
Capital Projects	12,680	8,590	(4,090)
Enterprise	1,813,064	2,021,591	208,527
Fiduciary	14	5	(9)
Total	\$ 3,418,838	\$ 4,436,297	\$ 1,017,459

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 895,983	\$ 756,061	\$ 139,922
Special Revenue	1,034,705	690,275	344,430
Debt Service	160,000	915,661	(755,661)
Capital Projects	47,500	6,246	41,254
Enterprise	2,090,241	2,140,505	(50,264)
Fiduciary	200	20	180
Total	\$ 4,228,629	\$ 4,508,768	\$ (280,139)

**VILLAGE OF PAULDING
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 594,209	\$ 739,429	\$ 145,220
Special Revenue	689,086	831,740	142,654
Debt Service	109,121	116,690	7,569
Capital Projects	20,168	12,679	(7,489)
Enterprise	1,434,678	2,589,743	1,155,065
Fiduciary	17	14	(3)
Total	<u>\$ 2,847,279</u>	<u>\$ 4,290,295</u>	<u>\$ 1,443,016</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 729,753	\$ 625,418	\$ 104,335
Special Revenue	1,398,502	966,904	431,598
Debt Service	150,000	1,030,477	(880,477)
Capital Projects	170,214	87,696	82,518
Enterprise	2,089,649	2,367,011	(277,362)
Fiduciary	200	19	181
Total	<u>\$ 4,538,318</u>	<u>\$ 5,077,525</u>	<u>\$ (539,207)</u>

Contrary to Ohio law, the Village had appropriations that exceeded estimated resources in the Street Construction, Law Enforcement, Village Permissive Tax I, County Permissive Tax, EMS, Village Permissive Tax II, Capital Improvement, Pool Improvement, Sanitary Sewer, and Solid Waste funds during 2002 and Police Pension, Police, Fire Levy, Sanitary Sewer, and Water funds during 2003. In addition, actual expenditures exceeded appropriations in the Pool Bond Levy, Water, and Sanitary Sewer funds during 2002 and the Pool Bond Levy and Sanitary Sewer funds during 2003.

4. 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

**VILLAGE OF PAULDING
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

deductions. Homestead 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.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of ½ 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.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$ 363,409	4.50%
Ohio Water Development Authority Loan	563,224	6.03 – 6.35%
Bond Anticipation Notes	1,425,000	2.30%
Leases	66,439	5.5 – 7.9%
Total	\$ 2,418,072	

**VILLAGE OF PAULDING
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

The Village has two Ohio Public Works Commission (OPWC) loans. Both loans are for 20 years and have an interest rate of 4.5 percent. The Village entered into the first loan in 1993 for lagoon improvements and entered into the second loan in 1995 for interceptor improvements. The Village makes semiannual installments of \$7,323, including interest, for first loan and semiannual installments of \$14,110, including interest, for the second loan.

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 installment due January 1, 1997, will be repaid in semiannual installments of \$1,467, including interest, over 20 years. Loan #3367, which had its first installment due January 1, 2003, will be repaid in semiannual installments of \$30,171, including interest, over 15 years.

The Village issued several bond anticipation notes for such projects as improving the water treatment plant; Gasser Road resurfacing and sewer improvements; Village sewer improvements; renovating and improving the Village's swimming pool; waterline improvements; and draining and cleaning the wastewater lagoon. The bond anticipation notes are one year renewals with a maturity date on May 27, 2004 and an interest rate of 2.3 percent.

The Village entered into several lease agreements for such items as a John Deere track mower, Case loader backhoe; postage meter, copiers, and police cars.

Amortization of the above debt, including interest, as well as future minimum lease payments, is scheduled as follows:

Year ending December 31	OPWC Loans	OWDA Loans	Bond Anticipation Notes	Leases
2004	\$ 42,866	\$ 63,276	\$ 1,457,775	\$ 33,663
2005	42,866	63,276	-	22,052
2006	42,866	63,276	-	14,772
2007	42,866	63,276	-	2,004
2008	42,866	63,276	-	511
Subsequent	249,340	504,741	-	-
Total	<u>\$ 463,670</u>	<u>\$ 821,121</u>	<u>\$ 1,457,775</u>	<u>\$ 73,002</u>

**VILLAGE OF PAULDING
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS 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 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to § 2744.081 of the Ohio Revised Code, the Pool is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Pool pays judgments, settlements, and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31:

	2003	2002 (Restated)
Assets	\$ 1,811,340	\$ 1,852,060
Liabilities	(3,653,152)	(3,858,213)
Retained deficit	\$ (1,841,812)	\$ (2,006,153)

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 Mayor, Administrator, and Village Council:

We have audited the accompanying financial statements of the Village of Paulding, Paulding County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 15, 2004. 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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated October 15, 2004.

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. However, we noted certain matters involving the internal control over financial

reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls over financial reporting that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We noted other matters involving the internal 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 October 15, 2004.

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.



Betty Montgomery
Auditor of State

October 15, 2004

**VILLAGE OF PAULDING
PAULDING COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.39 states total appropriations shall not exceed total estimated resources. The Village's current appropriations exceeded estimated resources for the following funds:

Fund	Estimated Resources	Appropriations	Variance
2002			
Street Construction, Maintenance, and Repair Fund	\$ 175,386	\$ 250,000	\$ (74,614)
Law Enforcement	656	1,100	(444)
Village Permissive Tax 1	70,446	80,000	(9,554)
County Permissive Tax	65,734	66,000	(266)
EMS	52,506	58,000	(5,494)
Village Permissive Tax II	39,199	80,000	(40,801)
Capital Improvement	15,858	20,000	(4,142)
Pool Improvement	77,970	121,000	(43,030)
Sanitary Sewer	869,109	1,030,000	(160,891)
Solid Waste	100,719	132,000	(31,281)
2003			
Police Pension	14,497	15,000	(503)
Police	258,368	297,000	(38,632)
Fire Levy	39,342	40,000	(658)
Pool Improvement	13,632	22,500	(8,868)
Water	801,115	884,500	(83,385)

We recommend that appropriations be reviewed to ensure they are not in excess of estimated resources. When actual receipts exceed the certified estimate, the Clerk-Treasurer should certify the amount of the excess to the County Budget Commission and obtain an amended official certificate of estimated resources prior to amending appropriations.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code §5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Our testing of budgetary compliance at December 31, 2002 and 2003 identified the following instances in which expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Actual Expenditures	Variance
2002			
Pool Bond Levy	\$ 150,000	\$ 1,030,477	\$ (880,477)
Water	714,424	779,611	(65,187)
Sanitary Sewer	1,225,522	1,463,344	(237,822)
2003			
Pool Bond Levy	160,000	915,661	(755,661)
Sanitary Sewer	1,035,362	1,152,596	(117,234)

Failure to have adequate appropriations in place at the time expenditures are being made could allow expenditures to exceed available resources and result in deficit spending practices.

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2004-003

Reportable Condition – Pool Revenues

The Village sells season and monthly pool passes; however, there is no documentation supporting the number of passes sold and who they were sold to.

Although the Pool Manager provides the Clerk-Treasurer with a detailed spreadsheet of the types of pool receipts deposited daily (i.e., child and adult admissions; family season passes; swim lessons, etc.), there is no documentation as to the number of individuals that attended the pool to substantiate the receipts.

FINDING NUMBER 2004-003
(Continued)

There is limited monitoring of concession revenues collected and inventory maintained throughout the pool season.

To strengthen internal accounting controls over pool receipts and to ensure that all cash assets are being properly collected and reported, we recommend that:

- The Pool Manager should implement a season/monthly pool pass system that tracks the sale and use of individual passes. This pool pass system should include information such as the pass number; the date issued along with the expiration date; and the customer purchasing the pass along with people to be covered by the pass.
- On a daily basis, the Pool Manager should separately track gate attendance for children and adults to substantiate the amount of general admissions. For example, dual pre-numbered tickets could be issued where one ticket is given to an individual and the other one is retained by the Pool Manager. To be an effective control, pool staff not responsible for collecting or depositing cash must collect the tickets and compare them to admission amounts deposited. Any variances should be documented. In addition, there should be detailed information (i.e., duplicate receipts, rental contracts) maintained to substantiate each type of daily receipt collected (i.e., swim lessons, pool rental, etc.)
- A system be implemented to access the reasonableness of concession revenues. If a cash register is not an option, a manual system could be implemented to track the number of items and/or boxes sold at each price level. The Pool Manager should compare concession deposits to concession expenditures to see if collections are reasonable relative to the items purchased for sale, based on mark-up percentages.

All information noted above should be retained for audit purposes. All files and papers regarding pool receipts and attendance records should be remitted to the Clerk-Treasurer's office along with the bank deposit slip so the results can be recalculated and any discrepancies promptly investigated.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30263-001	ORC § 135.18 – Collateral not obtained for all public funds	Yes	
2001-30263-002	ORC § 5705.41(B) – Expenditures in excess of appropriations	No	Not corrected. Reissued as finding 2003-002.
2001-30263-003	ORC § 5705.41(D) – Improper certification of funds	No	Partially corrected. Reissued as a management letter comment.



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 4, 2004**