



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

PAULDING COUNTY
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REPORT OF INDEPENDENT ACCOUNTANTS

Paulding County
115 North Williams Street
Paulding, Ohio 45879-1284

To the Board of Commissioners:

We have audited the accompanying financial statements of Paulding County (the County) as of and for the year ended December 31, 2000. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Paulding County Hospital, the County's enterprise fund type. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Paulding County Hospital, is based on the report of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinion.

Ohio Administrative Code § 117-1-11(H) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the County, except for Paulding County Hospital, prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements, except for the financial statements of Paulding County Hospital, omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above, other than the financial statements of Paulding County Hospital, present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Paulding County, as of December 31, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1. Also in our opinion, based on the report of other auditors, the financial statements of Paulding County Hospital present fairly, in all material respects, the financial position of Paulding County Hospital, as of December 31, 2000, and the results of its operations and its cash flows 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 June 20, 2001, on our consideration of the County'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.

Our audit was performed for the purpose of forming an opinion on the financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board of Commissioners, 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.

Jim Petro
Auditor of State

June 20, 2001

PAULDING COUNTY

COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
AS OF DECEMBER 31, 2000

Cash and Cash Equivalents	<u><u>\$6,608,277</u></u>
 Cash Balances by Fund Type	
Governmental Fund Types:	
General Fund	\$1,611,504
Special Revenue Funds	3,395,416
Debt Service Fund	66,209
Capital Projects Funds	283,817
Fiduciary Fund Types:	
Expendable Trust Funds	82,144
Agency Funds	<u>1,169,187</u>
 Total	 <u><u>\$6,608,277</u></u>

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

PAULDING COUNTY

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

	Governmental Fund Types	
	General	Special Revenue
Receipts:		
Taxes	\$2,503,418	\$1,099,043
Charges for Services	384,044	238,548
Licenses and Permits	2,410	93,088
Fines and Forfeitures	233,497	210,366
Intergovernmental Receipts	417,930	6,246,447
Special Assessments		
Other Receipts	408,284	911,995
Total Receipts	3,949,583	8,799,487
Disbursements:		
General Government:		
Legislative and Executive	1,331,561	124,461
Judicial	581,030	1,010
Public Safety	1,214,463	260,163
Public Works	75,292	2,950,959
Health	3,170	1,860,230
Human Services	140,340	2,105,486
Conservation - Recreation		45,478
Miscellaneous	20,448	347,537
Capital Outlay	183,865	513,835
Debt Service:		
Note Principal Payment		49,948
Interest and Fiscal Charges		1,535
Total Disbursements	3,550,169	8,260,642
Excess of Receipts Over/(Under) Disbursements	399,414	538,845
Other Financing Sources (Uses):		
Proceeds of Notes		
Operating Transfers - In		191,577
Operating Transfers - Out	(297,477)	
Other Financing Sources	155,575	
Other Financing Uses	(150,746)	
Total Other Financing Sources/(Uses)	(292,648)	191,577
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	106,766	730,422
Fund Cash Balance - January 1	1,504,738	2,664,994
Fund Cash Balance - December 31	\$1,611,504	\$3,395,416

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$131,244	\$8,218		\$3,741,923
			622,592
			95,498
			443,863
	295,622		6,959,999
	464,575		464,575
	111,852	\$54,718	1,486,849
<u>131,244</u>	<u>880,267</u>	<u>54,718</u>	<u>13,815,299</u>
			1,456,022
			582,040
			1,474,626
			3,026,251
			1,863,400
			2,245,826
			45,478
65,035	221,301	9,530	663,851
	649,732		1,347,432
1,900,000	1,849,131		3,799,079
	77,884		79,419
<u>1,965,035</u>	<u>2,798,048</u>	<u>9,530</u>	<u>16,583,424</u>
<u>(1,833,791)</u>	<u>(1,917,781)</u>	<u>45,188</u>	<u>(2,768,125)</u>
1,900,000	2,001,401		3,901,401
	3,900		195,477
			(297,477)
			155,575
			(150,746)
<u>1,900,000</u>	<u>2,005,301</u>		<u>3,804,230</u>
66,209	87,520	45,188	1,036,105
	196,297	36,956	4,402,985
<u>\$66,209</u>	<u>\$283,817</u>	<u>\$82,144</u>	<u>\$5,439,090</u>

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PAULDING COUNTY
COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	\$3,889,498	\$4,105,158	\$215,660
Special Revenue Funds	8,581,457	8,991,064	409,607
Debt Service	131,244	2,031,244	1,900,000
Capital Projects Funds	2,729,381	2,885,568	156,187
Fiduciary Fund Type:			
Trust Funds	54,717	54,718	1
Total (Memorandum Only)	\$15,386,297	\$18,067,752	\$2,681,455

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

PAULDING COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Prior Year Carryover <u>Appropriations</u>	2000 <u>Appropriations</u>
Governmental Fund Types:		
General Fund		\$4,477,992
Special Revenue Funds		10,056,066
Debt Service Fund		179,885
Capital Projects Funds		3,526,844
Fiduciary Fund Type:		
Trust Funds	_____	59,000 _____
Total (Memorandum Only)	=====	\$18,299,787 =====

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

<u>Total</u>	<u>Actual 2000 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/00</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$4,477,992	\$3,998,392		\$3,998,392	\$479,600
10,056,066	8,260,642		8,260,642	1,795,424
179,885	1,965,035		1,965,035	(1,785,150)
3,526,844	2,798,048		2,798,048	728,796
<u>59,000</u>	<u>9,530</u>		<u>9,530</u>	<u>49,470</u>
<u>\$18,299,787</u>	<u>\$17,031,647</u>		<u>\$17,031,647</u>	<u>\$1,268,140</u>

PAULDING COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	Agency Funds
Nonoperating Receipts:	
Other Nonoperating Receipts	\$22,194,307
Nonoperating Disbursements:	
Other Nonoperating Disbursements	22,329,223
Excess of Nonoperating Receipts (Under) Nonoperating Disbursements Before Interfund Transfers	(134,916)
Transfers-In	102,000
Excess of Nonoperating Disbursements Over Nonoperating Receipts	(32,916)
Fund Cash Balance - January 1	1,202,103
Fund Cash Balance - December 31	\$1,169,187

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

PAULDING COUNTY HOSPITAL

**BALANCE SHEET
DECEMBER 31, 2000**

Assets

Current Assets:	
Cash and Cash Equivalents	\$68,851
Patient Accounts Receivable, Net	1,820,403
Physicians Accounts Receivable	200,375
Other Receivables	121,968
Inventories	283,277
Prepaid Expenses	<u>91,670</u>
Total Current Assets	2,586,544
Assets Limited as to Use:	
Investments	4,464,334
Accrued Interest Receivable	153,232
Notes Receivable	105,596
Property and Equipment, Net	5,835,760
Donor Restricted Funds:	
Investments	600,621
Accrued interest receivable	<u>24,393</u>
Total Assets	<u><u>\$13,770,480</u></u>

Liabilities and Fund Equity

Liabilities:	
Current Liabilities:	
Current Maturities of Notes and Capital Lease Payable	\$247,786
Accounts Payable	437,434
Accrued Medicare/Medicaid Settlement	200,113
Accrued Expenses:	
Payroll and Taxes	192,697
Vacation Pay	266,212
Other	<u>162,184</u>
Total Current Liabilities	1,506,426
Long-Term Debt:	
Notes and Capital Lease Payable, Net of Current Maturities	<u>846,507</u>
Total Liabilities	<u>2,352,933</u>
Fund Equity:	
Contributed Capital	1,900,000
Retained Earnings	8,892,533
Donor Restricted Funds:	
Specific Purpose Funds	13,385
Endowment Funds	<u>611,629</u>
Total Fund Equity	<u>11,417,547</u>
Total Liabilities and Fund Equity	<u><u>\$13,770,480</u></u>

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

PAULDING COUNTY HOSPITAL
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2000

Operating Revenues:	
Net Patient Service Revenue	\$10,701,669
Other Revenue	<u>221,464</u>
Total Operating Revenues	<u>10,923,133</u>
Operating Expenses:	
Salaries and Wages	5,066,779
Employees Benefits	1,262,335
Fees to Individuals and Organizations	390,409
Supplies and Other Expenses	2,378,099
Purchased Services	1,066,064
Depreciation	775,594
Interest	67,836
Provisions for Bad Debt	363,432
Loss on Sale of Operating Assets	<u>1,902</u>
Total Operating Expenses	<u>11,372,450</u>
Operating Loss	<u>(449,317)</u>
Nonoperating Revenues/(Expenses):	
Investment Earnings	360,157
Gifts	198,225
Other, Net	<u>10,114</u>
Total Nonoperating Revenues	<u>568,496</u>
Net Income	119,179
Retained Earnings - January 1	<u>8,773,354</u>
Retained Earnings - December 31	<u><u>\$8,892,533</u></u>

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

PAULDING COUNTY HOSPITAL

STATEMENT OF CHANGES IN RESTRICTED FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Donor Restricted Funds</u>	
	<u>Specific Purpose Funds</u>	<u>Endowment Funds</u>
Restricted Fund Balance, beginning of year	\$13,142	\$573,870
Investment Income	<u>243</u>	<u>37,759</u>
Restricted Fund Balance, end of year	<u><u>\$13,385</u></u>	<u><u>\$611,629</u></u>

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

PAULDING COUNTY HOSPITAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000

Cash Flows From Operating Activities:	
Operating Loss	(\$449,317)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	775,594
Miscellaneous Nonoperating Income	10,114
Effects of Changes in Operating Assets and Liabilities:	
Receivables, Net	(77,300)
Inventories	(29,557)
Prepaid Expenses	30,803
Accounts Payable	(82,009)
Accrued Medicare/Medicaid Settlement	53,703
Accrued Expenses	<u>217,384</u>
Net Cash Provided by Operating Activities	<u>449,415</u>
Cash Flows From Noncapital Financing Activities:	
Unrestricted Gifts Received	<u>198,225</u>
Net Cash Provided by Noncapital Financing Activities	<u>198,225</u>
Cash Flows From Capital and Related Financing Activities:	
Inception of Capital Lease	97,212
Payment of Debt Principal	(390,099)
Purchase of Property and Equipment	(1,802,812)
Decrease in Assets Limited as to Use, Net	<u>1,162,850</u>
Net Cash Used for Capital and Related Financing Activities	<u>(932,849)</u>
Cash Flows From Investing Activities:	
Increase in Donor Restricted Funds	(38,002)
Investment Earnings	<u>328,592</u>
Net Cash Provided by Investing Activities	<u>290,590</u>
Net Increase in Cash and Cash Equivalents	5,381
Cash and Cash Equivalents at Beginning of Year	<u>63,470</u>
Cash and Cash Equivalents at End of Year	<u><u>\$68,851</u></u>
Supplemental Disclosure of Cash Flow Information:	
Cash Paid for:	
Interest	<u><u>\$67,836</u></u>

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

PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2000

NOTE 1 - DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, effective for financial statements for periods beginning after December 15, 1992. The financial statements and notes include all funds, agencies, boards, commissions, and component units for which Paulding County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

The Paulding County Hospital (the Hospital) operates under the authority of §339, Ohio Revised Code. It is governed by a Board of Trustees appointed by the County Commissioners, the Probate Judge, and the Judge of the Court of Common Pleas of Paulding County. The Hospital is not considered legally separate from the County and for financial reporting purposes is treated as an Enterprise Fund of the County.

Based on the foregoing criteria, the financial activities of the following entities should be reflected in the accompanying financial statements and notes:

Component Unit

PC Workshop, Incorporated (the Workshop) - The Paulding County Board of MRDD appointed the original Paulding County Workshop Non Profit Board. New board members are appointed by a majority of the non profit board members. The Workshop obtains its operating funds through charges for services performed and through donations of local residents. The operations of the Workshop are presented in the notes to the financial statements as a component unit since the Workshop does not provide services solely to the primary government nor is the Workshop substantively the same as the primary government. See Note 4 for a presentation of condensed financial statements of the Workshop for the year ended December 31, 2000.

Jointly Governed Organizations

Maumee Valley Planning Organization

Paulding County is a member of the Maumee Valley Planning Organization (MVPO) which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of MVPO is to act as a joint regional planning commission to write and administer state and federal grants and help with housing rehabilitation in the area. MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main source of revenue is fees charged by MVPO to administer grants and a per capita amount from each county. In 2000, the County paid administrative fees of \$42,361 to MVPO.

PAULDING COUNTY

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

Alcohol, Drug Addiction, and Mental Health Services Board of Mercer, Paulding, and Van Wert Counties (Tri-County Mental Health Board)

The Tri-County Mental Health Board is a jointly governed organization among Mercer, Paulding, and Van Wert Counties. The Tri-County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction, and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting, and advocating for the rights of persons as consumers of alcohol, drug addiction, and mental health services. The ability to influence operations depends on the County's representation on the board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services, and the remaining ten members are appointed by the County Commissioners of Mercer, Paulding, and Van Wert Counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2000, a tax levy provided \$188,755 for the operations of the organization.

West Central Partnership, Inc.

The West Central Partnership, Inc. (the Partnership) is a jointly governed not-for-profit organization among Allen, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and raising money for such purpose and to expend, contribute, disburse, or otherwise handle and dispose of the same for such purpose. The Board of Trustees consists of nine members, including a County Commissioner from each of the member counties and the Director of Region 3, West Central SBDC Partnership.

Community Improvement Corporation

The County is a member of the Community Improvement Corporation of the Village of Antwerp and Paulding County (CIC) which is a jointly governed organization between the Village of Antwerp, Paulding County, the Village of Payne and respective Townships of Paulding County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, and research facilities within member subdivisions.

The CIC is governed by a Board of Trustees consisting of 14 self appointed members. Not less than two-fifths of the members are to be composed of elected officials. Seven of these Trustees include: a member of the Board of County Commissioners of Paulding County, the Mayor and his/her elected officials of the Village of Antwerp, the Mayor and his/her elected official of the Village of Payne, and an elected official of Carryall Township. The remaining members represent private residents of Paulding County or employees of the Paulding County businesses or firms. The County paid the CIC \$36,091 in 2000.

Joint Ventures

Four County Solid Waste District

The County is a member of the Four County Solid Waste District (the District), which is a joint venture between Defiance, Fulton, Paulding, and Williams Counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989.

PAULDING COUNTY

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

The Four County Solid Waste District is governed and operated through a twelve member board of directors, comprised of three commissioners from each county. Financial records are maintained by the Williams County auditor in Bryan, Ohio. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste.

The County has an ongoing financial interest in the District. The County Commissioners are able to influence the Board of Directors to use the District's surplus resources to undertake special projects of interest to the County's citizens. In the event that a county withdraws from the District, this access to the net resources has not been explicitly defined, nor is it currently measurable. The County has no ongoing financial responsibility for the District. The County received \$50,000 from the District in 2000 to administer its local solid waste reduction program.

Multi-Area Narcotics Task Force (the Task Force)

Paulding County is a member of a drug task force which is a joint venture between Defiance, Paulding, and Putnam Counties and the Cities of Defiance and Bryan. The purpose of the drug task force is to act as a joint task force in the fight against narcotics. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity.

The main source of revenue for the Task Force is federal grants and local matching shares made by the participating entities. The County has no ongoing financial responsibility to the Task Force. The County has indirect access to the net resources of the Task Force since the County is able to influence the Task Force to use its surplus resources to undertake projects of interest to the County's residents. This access to the net resources of the Board has not been explicitly defined, nor is it currently measurable. Paulding County contributed \$5,290 to the Task Force in 2000. Complete financial statements for the Task Force can be obtained through the Defiance County Sheriff's Office located at 113 Biede Street, Defiance, Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Section 117-1-11 to prepare its annual financial report in accordance with generally accepted accounting principles, the County, with the exception of the Enterprise Fund Type, chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting 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 formerly prescribed or permitted by the Auditor of State.

A general fixed asset group and general long-term debt obligation group of accounts is not recorded on the financial statements by the County under the basis of accounting used. By virtue of Ohio law, the County is required to maintain the encumbrance method of accounting and to make appropriations.

A. Basis of Presentation - Fund Accounting

The County uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

PAULDING COUNTY

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund - The General Fund is the operating fund of the County and 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 County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest other than that accounted for in the propriety fund.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

2. Proprietary Fund Types

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector.

Enterprise Fund - This fund accounts 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.

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Funds for which the County is acting in an agency capacity are classified as agency funds.

PAULDING COUNTY

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

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds and the Hospital Fund, are legally required to be budgeted and appropriated.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Budget

In prior years, a budget of estimated cash receipts and disbursements was submitted to the County Auditor, as secretary of the County Budget Commission, by July 20, for the period January 1 to December 31 of the following year. Beginning in 1999, the Budget Commission waived the requirement for all subdivisions to file a tax budget.

2. Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1 this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31 the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2000, unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

PAULDING COUNTY

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

4. Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is canceled at year end and reappropriated at the beginning of the subsequent year.

C. Property, Plant, and Equipment

With the exception of the Enterprise Fund, acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

D. Unpaid Vacation and Sick Leave

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

E. Cash and Investments

The County maintains a cash and investment pool which is available for all funds except the Enterprise Fund. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances. During fiscal year 2000, investments were limited to certificates of deposits and STAR Ohio. All investments of the County had a maturity of two years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute.

F. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund -type eliminations have not been made in the aggregation of this data.

NOTE 3 - PAULDING COUNTY HOSPITAL (ENTERPRISE FUND)

A. Significant Accounting Policies

1. Cash and Cash Equivalents

For the statement of cash flows, cash and cash equivalents include cash on hand and amounts in demand deposits.

PAULDING COUNTY

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

2. Inventories

Inventories are stated at the lower of cost or market determined on a first-in, first-out (FIFO) basis. Inventory consists of goods and supplies used in providing healthcare services.

3. Assets Limited as to Use

Assets limited as to use include assets set aside by the Hospital Board of Trustees for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes, and assets placed in the health education fund, which is used by the Board of Trustees to make loans to students pursuing courses of study in the healthcare profession.

4. Property and Equipment

Property and equipment for the Enterprise Fund are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.

5. Donor Restricted Funds

Donor restricted funds are used to differentiate funds, the use of which is specified by donors, from general funds upon which donors place no restriction or that arise as a result of the operation of the Hospital for its stated purposes. Assets limited as to use are not considered to be restricted funds. Restricted gifts and other restricted resources are recorded as direct additions to the appropriate restricted fund.

Funds restricted by donors for plant replacement and expansion are added to the Enterprise Fund balance to the extent expended within the period.

6. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period as final settlements are determined.

7. Investment Income

Investment income on borrowed funds, Hospital Board designated funds (funded depreciation) and general funds are recorded as nonoperating gains. All investment income from donor restricted funds is added to the restricted fund balance.

8. Charity Care

The Hospital provides care to patients that meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are charged as an allowance for charity care.

PAULDING COUNTY

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

9. Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

10. Accounting Standards

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

11. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. Patient Accounts Receivable

Patient accounts receivable are recorded as services are performed. The allowance for bad debts is increased by 1.75% of patient revenue and the allowance for charity care is increased by .75% of patient revenue. Allowance for third party contractual adjustments are recorded at amounts determined by management upon review of third party billings. All uncollectible accounts are written off against the respective allowance account. Net patient accounts receivable at December 31, 2000 are calculated as follows:

Patient Accounts Receivable	\$2,708,639
Allowance for Uncollectible Amounts	<u>(888,236)</u>
Patient Accounts Receivable, Net	<u><u>\$1,820,403</u></u>

C. Assets Limited as to Use

The composition of assets limited as to use at December 31, 2000, is set forth below:

By Hospital Board for Capital Improvements:	
Deposits in Financial Institutions	\$4,464,334
Accrued Interest Receivable	153,232
By Hospital Board to Fund the Health Education Fund:	
Notes Receivable	<u>105,596</u>
Total Assets Limited as to Use	<u><u>\$4,723,162</u></u>

PAULDING COUNTY

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

D. Property and Equipment

A summary of Enterprise Fund property and equipment at December 31, 2000, is listed below:

	Estimated Lives	
Land	Not applicable	\$30,609
Land Improvements	5-25 years	124,444
Building and Improvements	5-50 years	5,550,658
Fixed Equipment	5-20 years	1,455,292
Moveable Equipment	5-20 years	5,581,312
Construction in Progress	Not Applicable	1,567,713
Total Property and Equipment		14,310,028
Less Accumulated Depreciation		(8,474,268)
Property and Equipment, Net		\$5,835,760

E. Notes and Capital Lease Payable

4.69% commercial note payable to State Bank in 24 months with monthly payments of \$8,701 including interest. Secured by ultrasound machine.	\$17,119
4.78% commercial note payable to State Bank in 60 months with monthly payments of \$10,166, including interest. Secured by equipment.	40,360
5.94% commercial note payable to First Federal Bank in 60 months with monthly payments of \$1,881, including interest. Secured by equipment.	88,752
5.52% capital lease payable to Fifth Third Bank in 120 months with monthly payments of \$18,385, including interest. Secured by HVAC system.	948,062
Total	\$1,094,293

Principal payments are due as follows:

2001	\$247,786
2002	201,178
2003	212,667
2004	224,815
2005	207,847
Total	\$1,094,293

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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(Continued)**

Future minimum payments on the capital lease payable are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2001	\$243,182	\$190,307	\$52,875
2002	243,182	201,178	42,005
2003	243,182	212,667	30,514
2004	243,182	224,815	18,366
2005	213,514	207,847	5,668
Total	<u>\$1,186,242</u>	<u>\$1,036,814</u>	<u>\$149,428</u>

Assets acquired under capital lease are summarized below:

	<u>Cost</u>	<u>Estimated Life</u>	<u>2000 Depreciation</u>	<u>Accumulated Depreciation</u>
HVAC System	\$1,736,188	15 years	\$115,746	\$508,433
Roof	\$97,212	25 years	\$1,944	\$1,944

F. Contributed Capital

The Hospital has received \$1,900,000 from Paulding County to pay for the costs of renovating, expanding, modernizing, and equipping Paulding County Hospital. The voters of Paulding County passed a levy in November 1999 to approve the levy of ad valorem taxes on all property in the County subject to ad valorem taxes levied by the County, which taxes are unlimited as to amount. Due to the County not collecting property tax revenue on this levy until the year 2001, the County issued a bond anticipation note. The Hospital received the proceeds of the note from the County, which matures September 14, 2000, with an interest rate of 4.5%. The Hospital has no obligation for the retirement of the notes or the bonds, which are backed by the full faith of Paulding County.

G. Patient Service Revenue

The Hospital has agreements with third-party payers that provide for reimbursements to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payers. Following is a summary of the Hospital's primary third party payers:

Medicare and Medicaid

Inpatient care services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Ancillary outpatient services are paid on both a cost reimbursement and prospective basis. Defined capital costs related to Medicare beneficiaries are paid primarily on a prospectively determined method per discharge. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.

PAULDING COUNTY

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

Any adjustments necessary between the tentative cost reimbursement amount and the final settlement is included as a contractual adjustment in the year the adjustment is determined.

H. Malpractice Costs

The Hospital has malpractice insurance coverage of \$1,000,000 per each medical incident and \$3,000,000 in the aggregate and \$5,000,000 excess coverage with the Ohio Hospital Insurance Company on an occurrence based policy.

At December 31, 2000, the Hospital is not aware of any claims or asserted claims alleging malpractice.

NOTE 4 - COMPONENT UNIT - PC WORKSHOP, INC.

PC Workshop, Inc. (the Workshop) was organized in 1977 in order to provide sheltered employment for mentally retarded and developmentally disabled persons in Paulding County. The Workshop operates in facilities owned by, and with a staff provided by, the Paulding County Board of Mental Retardation and Developmental Disabilities. The major work performed by the Workshop is assembly for the automotive industry, various janitor services, recycling, and day care. All are performed in Northwest Ohio.

The financial statement presentation of the Workshop follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Management of the Workshop is of the opinion that there were no permanently restricted or temporarily restricted net assets at December 31, 2000. Condensed financial statements for the Workshop are as follows for and as of the year ended December 31, 2000.

Condensed Balance Sheet - PC Workshop

Assets:	
Current Assets	\$132,214
Property, Plant, and Equipment	137,781
Other Assets	<u>200,925</u>
Total Assets	<u><u>\$470,920</u></u>
Liabilities:	
Current Liabilities	\$15,602
Equity:	
Unrestricted Net Assets	<u>455,318</u>
Total Liabilities and Net Assets	<u><u>\$470,920</u></u>

PAULDING COUNTY

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

Condensed Statement of Activities -
PC Workshop

Operating Revenues	\$824,649
Operating Expenses	<u>822,423</u>
Net Increase in Net Assets	2,226
Net Assets, January 1	<u>453,092</u>
Net Assets, December 31	<u><u>\$455,318</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool used by all funds, except for the Enterprise Fund. Each fund type's portion of this pool is displayed on the Combined Statement Cash and Cash Equivalents and Fund Cash Balances "Cash and Cash Equivalents".

A. Legal Requirements

Statutes require the classification of monies held by the County into two categories. The first category consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for current demands upon the County Treasury. Such monies must be maintained either as cash in the County Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

The second category consists of "inactive" monies, those monies in excess of the amount determined to be "active" monies. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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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);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio;

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 County, and must be purchased with the expectation that it will be held to maturity.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

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

B. Cash on Hand

Cash on hand consists of \$20,532 in undeposited cash which is included on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances as part of "Cash and Cash Equivalents."

C. Deposits

At year-end, the carrying amount of the County's deposits, including non-negotiable certificates of deposit, Donor Restricted Funds, and Assets Limited as to Use as described in Note 3, was \$11,513,767 and the bank balance, including non-negotiable certificates of deposit and the amount of deposits representing custodial funds described in Note 1 was \$13,027,242. Of the bank balance:

1. \$1,125,384 was covered by federal depository insurance;

PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

- 2. \$1,391,959 was collateralized by securities specifically pledged by the financial institution to the County;
- 3. \$10,509,899 was covered by collateral held by third party trustee pursuant to Section 135.181, Revised Code, in collateralized pools securing all public funds on deposits with specific depository institutions; and

D. Investments

The County's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

As of December 31, 2000, the County's investments were as follows:

	<u>Uncategorized</u>	<u>Carrying Amount</u>	<u>Market Value</u>
STAR Ohio	<u>\$207,784</u>	<u>\$207,784</u>	<u>\$207,784</u>

NOTE 6 - PROPERTY TAXES

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1998.

Real property taxes become a lien on all nonexempt real property located in the County on January 1. 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 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property, for the fiscal year ended December 31, 2000, was \$11.01 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$8.79 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$9.16 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended December 31, 2000, was \$11.01 per \$1,000 of assessed valuation.

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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(Continued)**

Real Property - 1999 Valuation	
Residential/Agricultural	\$ 183,662,880
Commercial/Industrial	22,794,900
Public Utilities	272,660
Tangible Personal Property - 2000 Valuation	
General	28,502,510
Public Utilities - 1999	26,974,000
Total Valuation	<u>\$262,206,950</u>

The Paulding County Treasurer collects property tax on behalf of all taxing districts within the County. The Paulding County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

NOTE 7 - RISK MANAGEMENT

The County is a member of the County Risk Sharing Authority, Inc., (CORSA) (the Pool). The Pool assumes the risk of loss up to the limits of the County's policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- Comprehensive general liability;
- Automobile liability;
- Certain property insurance; and
- Public officials' errors and omissions liability insurance.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

Public Employees Retirement System of Ohio (PERS) is a cost-sharing multiple-employer defined benefit pension plan.

PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The Retirement Board instituted a temporary employer contribution rate rollback for the calendar year 2000. The rate rollback was 20% for state and local government divisions and 6% for law enforcement divisions. The employee contribution rates are 8.5% for employees other than law enforcement. Law enforcement employees contribute 9.0% of covered salary. The 2000 employer contribution rate for

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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(Continued)**

state employers was 10.65% of covered payroll. For local government employer units the rate was 10.84% of covered payroll. The law enforcement rate was 15.70% of covered payroll.

The County has paid all contributions required through December 31, 2000.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mentally Retarded/Developmentally Disabled (MRDD) participate in the State Teachers Retirement System of Ohio (STRS) cost sharing multiple-employer public employee's retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and 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. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. 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 County has paid all contributions required through December 31, 2000.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement service is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate for state employers was 10.65% of covered payroll; 4.3% was the portion that was used to fund health care for the year. For local government employers units, the rate was 10.84% of covered payroll; 4.3% was the portion that was used to fund health care for the year. The law enforcement employer rate for 2000 was 15.70% and 4.3% was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Summary of Assumptions:

Actuarial Review: The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 1999.

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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(Continued)**

Funding Method: An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method: All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return: The investment assumption rate for 1999 was 7.75%.

Active Employee Total Payroll: An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Health Care: Health care costs are assumed to increase 4.75% annually.

OPEB is financed through employer contributions and investments earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

OPEB is advance-funded on an actuarially determined basis. The retirement board elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. As of December 31, 1999, the actuarial value of the Retirement System's net assets were \$10,805,500,000. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473,600,000 and \$1,668,100,000, respectively. The number of active contributing participants was 401,339.

In 2000, the portion of the County's employer contributions that were used to fund postemployment benefits were \$235,141.

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

B. State Teachers Retirement System

The County provides comprehensive health care benefits to retired employees and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. This system is on a pay-as-you-go basis.

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**NOTES TO THE FINANCIAL STATEMENTS
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The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to employees upon termination of employment.

Employees earn sick leave at the rate of one and one-fourth days per month. Unused sick leave shall accumulate without limit. Upon retirement, payment is made for one-half of all accrued, but unused sick leave credit provided the employee has ten or more years of service with the County.

B. Deferred Compensation

Employees of the County may elect to participate in the Ohio Public Employees Deferred Compensation Program or the County Commissioners Association of Ohio Program. Under these programs employees authorize a voluntary payroll deduction which is invested in a plan of their choice. The accumulated value of the account is not distributed to the employee until a future date, usually after retirement. The deferred pay and any income earned on it is not subject to taxation until the distribution is made to the employee.

The County Commissioners' Association Program, in 1997, and the Ohio Public Employees Deferred Compensation Program, in 1998, placed these assets in trust to comply with recent changes in the Internal Revenue Code. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

NOTE 11 - DEBT OBLIGATIONS

The County's outstanding debt at December 31, 2000, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$310,151	0%
Tax Anticipation Notes	65,612	Various
General Obligation Notes	1,533,715	Various
Hospital Improvement Bond Anticipation Notes, Series 1999	1,900,000	4.5%

PAULDING COUNTY

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

Proceeds of the Ohio Public Works Commission (OPWC) loans were used for road resurfacing projects. The loans will be repaid in semi-annual installments of \$8,706 through 2019.

Initial proceeds from the Tax Anticipation Notes and General Obligation Notes were used for the construction of ditches, tax increment financing (TIF) projects, and various other capital projects.

Property owners receiving the benefit of the construction of a ditch are assessed over an eight year period for their portion of the construction in an amount determined by the County engineer. Special assessments collected are applied to the outstanding notes. Special assessment ditch notes consist of both Tax Anticipation Notes and General Obligation Notes, and are reissued annually until the entire amount of the assessment has been collected.

Tax increment financing (TIF) was used to fund various infrastructure projects. Written agreements between the County and local businesses who benefitted from the improvements require the businesses to make service payments in lieu of taxes. The service payments are applied to the outstanding notes. TIF notes consist of both Tax Anticipation Notes and General Obligation Notes, and are reissued annually until the cost of the project has been recovered, not to exceed ten years.

Other capital projects funded by Tax Anticipation Notes and General Obligation Notes include human service building improvements, county annex building improvements, construction of an animal control facility, and the purchase of a four wheel drive vehicle for the sheriff. These notes are reissued annually until the costs of the projects have been recovered.

The Hospital Improvement Bond Anticipation Notes were issued to pay costs of renovating, expanding, modernizing, and equipping the Paulding County Hospital. The Notes will be refunded with the issuance of bonds in August 2001.

The following is a summary of the County's future debt payments:

	Hospital Improvement Bond Anticipation Notes	Tax Anticipation Notes	General Obligation Notes	OPWC Loan
2001	\$1,900,000	\$65,612	\$1,533,715	\$17,412
2002				17,412
2003				17,412
2004				17,412
2005				17,412
2006 and Thereafter				223,091
Total	<u>\$1,900,000</u>	<u>\$65,612</u>	<u>\$1,533,715</u>	<u>\$310,151</u>

PAULDING COUNTY

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

NOTE 12 - PERMISSIVE SALES AND USE TAX

In 1984, the County Commissioners by resolution imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales and use tax, and renewed a resolution to levy an additional one-half percent for permissive sales and use tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited to the General Fund. Sales and use tax revenue for 2000 amounted to \$1,563,714.

NOTE 13 - CONTINGENT LIABILITIES

A. Litigation

Several claims and lawsuits involving the County are pending. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial statements.

B. Contractually Assumed Obligations

The Ohio Rail Development Commission (the Commission) has loaned RMW Ventures (RMW) \$1,200,000 to purchase a railroad line, portions of which lie in Henry, Defiance, and Paulding Counties. The loan is to be amortized over 120 months with a balloon payment due after the fifth anniversary of the first installment.

As a condition of loaning such funds, the Commission has required the three Counties to jointly guarantee payment of \$600,000 of the balloon payment, each County to guarantee to pay \$200,000 to the Commission upon default by RMW. The Commissioners signed the Guarantee Agreement in February 1998.

RMW has agreed to repay to the County any sums it pays under the Guarantee Agreement and to secure this obligation by granting the County a security interest and mortgage in all property of the railroad, both real and personal.

As of the date of this report, the loan guarantee had not been called.

NOTE 14 - COMPLIANCE

Ohio Revised Code § 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. Appropriations materially exceeded estimated revenue at year end in the following funds by the following amounts:

PAULDING COUNTY

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

Fund	Estimated Revenue	Appropriations	Variance
Health Bond Fund	\$131,244	\$179,885	\$48,641
Ditch Construction	1,317,630	2,066,463	748,833
Ditch Maintenance	199,183	244,984	25,801
County Projects	4,236	50,000	45,764
Stoller TIF II	3,029	15,000	11,971
Animal Control Facility	11,000	20,000	9,000
4-Wheel Drive Patrol Vehicle Debt	50,938	56,639	5,701

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Actual expenditures exceeded appropriations in the following funds by the following amounts:

Fund	Appropriations	Actual Expenditures	Variance
Dare	\$20,769	\$21,012	\$243
Community Development Block Grant	495,835	503,949	8,114
Sheriff Computer	5,000	6,467	1,467
Sheriff Reserve	4,792	7,489	2,697
ODNR	44,598	45,478	880
Victims Assistance	51,614	52,990	1,376
Juvenile Court Security	0	2,105	2,105
Stoller TIF	11,739	13,121	1,382
Cooper TIF	73,850	143,349	69,499
Schlinderink Dairy TIF	110,000	225,610	115,610
4-Wheel Drive Patrol Vehicle Debt	56,639	104,189	47,550
Hospital Bond	179,885	1,965,035	1,785,150

The County did not consistently certify expenditures as required by Ohio Revised Code § 5705.41(D).

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PAULDING COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through the Local Agricultural Stabilization and Conservation Service:</i>			
Crop Deficiency Program	-	10.XXX	\$4,302
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education:</i>			
Special Education - Grants to States (Title VI-B)	066183-6B-SF-00P	84.027	2,190
Special Education - Grants to States (Title VI-B)	066183-6B-SF-01P	84.027	<u>3,455</u>
Total Special Education - Grants to States			5,645
<i>Passed Through Ohio Department of Health:</i>			
Special Education - Grants for Infants and Family Disabilities (Early Intervention)	63-1-02-F-AN-392	84.181	<u>68,094</u>
Total U.S. Department of Education			<u>73,739</u>
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE <i>Passed Through Ohio Department of Emergency Management Disaster Assistance:</i>			
Federal Emergency Management Agency - Special Projec Federal Emergency Management Assistance	OH-99-014 OH-00-028HM	83.534 83.552	2,120 <u>11,240</u>
Total U. S. Department of Federal Emergency Management Disaster Assistance:			13,360
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>Passed Through Ohio Department of Health:</i>			
Title XX - Social Services Block Grant	-	93.667	15,176
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Medical Assistance Program (Medicaid: Title XIX)	-	93.778	<u>81,909</u>
Total U.S. Department of Health and Human Services			<u>97,085</u>

(Continued)

PAULDING COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF LABOR <i>Passed Through Ohio Job and Family Services</i>			
Employment and Training Administration, Department of L	-	17.255	<u>28,366</u>
U.S. DEPARTMENT OF FEDERAL HIGHWAY ADMINISTRATION <i>Passed Through Ohio Engineer's Association:</i>			
Highway Planning and Construction	PAU-TR-139-2.237	20.205	133,367
Highway Planning and Construction	PAU-CR-209-1.56	20.205	<u>117,942</u>
Total U. S. Department of Federal Highway Administration			251,309
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Home Improvement Partnerships Program	B-C-98-058-2	14.239	340,340
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant	B-C-98-058-1	14.228	59,722
Community Development Block Grant	B-F-98-058-1	14.228	24,374
Community Development Block Grant	B-F-99-058-1	14.228	74,400
Community Development Block Grant	B-E-99-058-1	14.228	<u>5,000</u>
Total Community Development Block Grant			<u>163,496</u>
Total U.S. Department of Housing and Urban Development			<u>503,836</u>
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Program	-	16.607	1,904
<i>Passed Through the Office of Criminal Justice Services:</i>			
Local Law Enforcement Block Grant	99-LE-LEB-3231	16.592	2,377
Victims of Crimes Act Grant	98VAGENE325T	16.575	23,575
Victims of Crimes Act Grant	99VAGENE325T	16.575	<u>7,187</u>
Total U. S. Department of Justice			<u>35,043</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$1,007,040</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

PAULDING COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2000, the gross amount of loans outstanding under this program was \$290,014.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the County to contribute non-federal funds (matching funds) to support the federally-funded programs. The County has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

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

Paulding County
115 North Williams Street
Paulding, Ohio 45879-1284

To the Board of Commissioners:

We have audited the financial statements of Paulding County as of and for the year ended December 31, 2000, and have issued our report thereon dated June 20, 2001, in which we noted that the County prepares its financial statements, except for the Enterprise Fund Type, on the basis of accounting formerly prescribed by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 County'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 2000-60263-001 through 2000-60623-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated June 20, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County'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 or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-60623-005.

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 control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also 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 County in a separate letter dated June 20, 2001.

This report is intended for the information and use of the audit committee, management, the Board of Commissioners, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties

Jim Petro
Auditor of State

June 20, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Paulding County
115 North Williams Street
Paulding, Ohio 45879-1284

To the Board of Commissioners:

Compliance

We have audited the compliance of Paulding County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2000. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County'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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated June 20, 2001.

Internal Control Over Compliance

The management of the County 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 County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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 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 that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Commissioners, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 20, 2001

PAULDING COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
December 31, 2000

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant Program (CDBG) - CFDA # 14.228 Home Improvement Partnership Program (HOME) - CFDA # 14.239
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2000-60263-001

Noncompliance Citation

Ohio Administrative Code § 117-1-11 requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, with the exception of the Enterprise Fund Type, the County prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. With the exception of the Enterprise Fund Type, the accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

FINDING NUMBER 2000-60263-002

Noncompliance Citation

Ohio Revised Code § 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. Appropriations materially exceeded estimated revenue at year end in the following funds by the following amounts:

Fund	Estimated Revenue	Appropriations	Variance
Health Bond Fund	\$131,244	\$179,885	\$48,641
Ditch Construction	1,317,630	2,066,463	748,833
Ditch Maintenance	199,183	244,984	25,801
County Projects	4,236	50,000	45,764
Stoller TIF II	3,029	15,000	11,971
Animal Control Facility	11,000	20,000	9,000
4-Wheel Drive Patrol Vehicle Debt	50,938	56,639	5,701

Appropriations in excess of estimated resources may result in deficit spending. We recommend that appropriations be reviewed by County officials to ensure they do not exceed estimated resources.

FINDING NUMBER 2000-60263-003

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Actual expenditures exceeded appropriations in the following funds by the following amounts:

FINDING NUMBER 2000-60263-003
(Continued)

Fund	Appropriations	Actual Expenditures	Variance
Dare	\$20,769	\$21,012	\$243
Community Development Block Grant	495,835	503,949	8,114
Sheriff Computer	5,000	6,467	1,467
Sheriff Reserve	4,792	7,489	2,697
ODNR	44,598	45,478	880
Victims Assistance	51,614	52,990	1,376
Juvenile Court Security	0	2,105	2,105
Stoller TIF	11,739	13,121	1,382
Cooper TIF	73,850	143,349	69,499
Schlinderink Dairy TIF	110,000	225,610	115,610
4-Wheel Drive Patrol Vehicle Debt	56,639	104,189	47,550
Hospital Bond	179,885	1,965,035	1,785,150

Making expenditures in excess of appropriations may result in deficit spending. We recommend that County officials review expenditures to ensure that they don't exceed appropriations.

FINDING NUMBER 2000-60263-004

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless a 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.

This section provides two exceptions to the above requirements:

- a. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant. The taxing authority has 30 days from the receipt of such a certificate to approved payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.
- b. Amounts of less than \$100 for Counties may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**FINDING NUMBER 2000-60263-004
(Continued)**

Twenty-three percent of the transactions tested were not certified at the time the commitment was incurred. These commitments were not subsequently approved by the Council as a “then and now” certificate.

We recommend the County Auditor certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a “then and now” certificate. “Then and now” certificates should be issued and approved through the Auditor’s office.

FINDING NUMBER 2000-60263-005

Reportable Condition

Amended Certificates of Estimated Resources

Sound accounting practices provide that budgeted revenues posted to the County ledgers be based on amounts formally reviewed and approved by the Commissioners. All but one fund did not have estimated revenues properly posted to the County’s ledgers to reflect the amounts on the Amended Certificates formally approved by the Budget Commission. This may have caused appropriations to exceed estimated resources in several funds. We recommend that estimated revenue amounts posted to the County’s ledgers be reconciled with the amounts officially approved on the Amended Certificates of Estimated Resources

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None.

PAULDING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-60263-001	Citation of Ohio Administrative Code § 117-1-11 - The County did not prepare its financial statements in accordance with generally accepted accounting principles.	No	Not Corrected. County officials believe that the cost of preparing financial statements in accordance with generally accepted accounting principles outweighs the benefits.
1999-60623-002	Finding Repaid Under Audit - Ohio Const. Art II, Section 20 - Prohibits interim increase in elected officials salary.	Yes	Finding repaid and no longer valid



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PAULDING COUNTY FINANCIAL CONDITION

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
JULY 10, 2001