



Mary Taylor, CPA
Auditor of State

VILLAGE OF PAULDING
PAULDING COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 1, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Paulding, Paulding County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Paulding, Paulding County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

April 1, 2010

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Local Taxes	\$138,727	\$286,084	\$111,047			\$535,858
Municipal Income Tax	402,497					402,497
Intergovernmental	164,126	254,152	18,078	\$15,769		452,125
Special Assessments	1,633					1,633
Charges for Services	11,945	204,085				216,030
Fines, Licenses and Permits	22,884	4,105		5,411		32,400
Earnings on Investments	36,422	19,993			\$3	56,418
Miscellaneous	689,355	9,810		35		699,200
Total Cash Receipts	1,467,589	778,229	129,125	21,215	3	2,396,161
Cash Disbursements:						
Current:						
Security of Persons and Property	62,066	488,983				551,049
Public Health Services	21,235					21,235
Leisure Time Activities	30,568	63,949				94,517
Community Environment	6,040					6,040
Basic Utility Service	6,160					6,160
Transportation	7,352	131,255				138,607
General Government	271,689		5,157			276,846
Debt Service:						
Redemption of Principal			80,000			80,000
Interest and Fiscal Charges			9,887	161		10,048
Capital Outlay	710,346	25,729		43,557		779,632
Total Cash Disbursements	1,115,456	709,916	95,044	43,718		1,964,134
Total Receipts Over/(Under) Disbursements	352,133	68,313	34,081	(22,503)	3	432,027
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Transfers-In		125,000				125,000
Transfers-Out	(357,162)					(357,162)
Total Other Financing Receipts / (Disbursements)	(357,162)	125,000				(232,162)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,029)	193,313	34,081	(22,503)	3	199,865
Fund Cash Balances, January 1	576,960	1,104,816	44,176	41,620	1,608	1,769,180
Fund Cash Balances, December 31	\$571,931	\$1,298,129	\$78,257	\$19,117	\$1,611	\$1,969,045
Reserve for Encumbrances, December 31	\$29,133	\$40,479				\$69,612

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,232,266	\$60,000	\$1,292,266
Fines, Licenses and Permits	2,115	\$11,147	13,262
Miscellaneous	78,412	2,912	81,324
	<u>1,312,793</u>	<u>74,059</u>	<u>1,386,852</u>
Operating Cash Disbursements:			
Personal Services	572,522	52,663	625,185
Contractual Services	405,851		405,851
Supplies and Materials	60,676		60,676
Other		3,269	3,269
	<u>1,039,049</u>	<u>55,932</u>	<u>1,094,981</u>
Operating Income	<u>273,744</u>	<u>18,127</u>	<u>291,871</u>
Non-Operating Cash Receipts:			
Intergovernmental		38,000	38,000
Special Assessments	6,200		6,200
Sale of Bonds	800,000		800,000
	<u>806,200</u>	<u>38,000</u>	<u>844,200</u>
Non-Operating Cash Disbursements:			
Capital Outlay	95,394	45,525	140,919
Redemption of Principal		7,617	7,617
Other Debt Proceeds	1,178,589		1,178,589
Other Non-Operating Cash Disbursements	8,950	7,878	16,828
	<u>1,282,933</u>	<u>61,020</u>	<u>1,343,953</u>
Excess of Disbursements over Receipts Before Interfund Transfers	(202,989)	(4,893)	(207,882)
Transfers-In	386,003		386,003
Transfers-Out	(153,841)		(153,841)
Net Receipts Over/(Under) Disbursements	29,173	(4,893)	24,280
Fund Cash Balances, January 1	<u>483,223</u>	<u>23,688</u>	<u>506,911</u>
Fund Cash Balances, December 31	<u>\$512,396</u>	<u>\$18,795</u>	<u>\$531,191</u>
Reserve for Encumbrances, December 31	<u>\$49,250</u>	<u>\$4,735</u>	<u>\$53,985</u>

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Local Taxes	\$134,498	\$278,739	\$110,413			\$523,650
Municipal Income Tax	436,141					436,141
Intergovernmental	200,485	267,644	17,771	\$343,000		828,900
Charges for Services	15,888	196,243				212,131
Fines, Licenses and Permits	22,474	2,871		5,723		31,068
Earnings on Investments	56,457	20,278			\$2	76,737
Miscellaneous	149,779	27,047		91		176,917
Total Cash Receipts	1,015,722	792,822	128,184	348,814	2	2,285,544
Cash Disbursements:						
Current:						
Security of Persons and Property	58,143	471,865				530,008
Public Health Services	19,402					19,402
Leisure Time Activities	28,215	82,775				110,990
Community Environment	10,607					10,607
Basic Utility Service	6,086					6,086
Transportation	8,318	115,041				123,359
General Government	333,904					333,904
Debt Service:						
Redemption of Principal			355,300			355,300
Interest and Fiscal Charges			9,494			9,494
Capital Outlay	54,456	22,971		1,165,988		1,243,415
Total Cash Disbursements	519,131	692,652	364,794	1,165,988		2,742,565
Total Receipts Over/(Under) Disbursements	496,591	100,170	(236,610)	(817,174)	2	(457,021)
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes			240,000			240,000
Other Debt Proceeds				839,850		839,850
Transfers-In		140,000				140,000
Transfers-Out	(597,432)					(597,432)
Total Other Financing Receipts / (Disbursements)	(597,432)	140,000	240,000	839,850		622,418
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(100,841)	240,170	3,390	22,676	2	165,397
Fund Cash Balances, January 1	677,801	864,646	40,786	18,944	1,606	1,603,783
Fund Cash Balances, December 31	\$576,960	\$1,104,816	\$44,176	\$41,620	\$1,608	\$1,769,180
Reserve for Encumbrances, December 31	\$29,966	\$25,881		\$18,339		\$74,186

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$955,635	\$58,000	\$1,013,635
Fines, Licenses and Permits	\$11,449		11,449
Miscellaneous	67,139	11,835	78,974
	<u>1,034,223</u>	<u>69,835</u>	<u>1,104,058</u>
Operating Cash Disbursements:			
Personal Services	568,676	55,321	623,997
Contractual Services	414,313		414,313
Supplies and Materials	59,045		59,045
Capital Outlay	529,992	9,098	539,090
	<u>1,572,026</u>	<u>64,419</u>	<u>1,636,445</u>
Operating Income (loss)	<u>(537,803)</u>	<u>5,416</u>	<u>(532,387)</u>
Non-Operating Cash Receipts:			
Intergovernmental		9,000	9,000
Special Assessments	4,810		4,810
Sale of Notes	990,000		990,000
Other Debt Proceeds		12,123	12,123
	<u>994,810</u>	<u>21,123</u>	<u>1,015,933</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	1,353,929	19,707	1,373,636
Other Non-Operating Cash Disbursements	9,138		9,138
	<u>1,363,067</u>	<u>19,707</u>	<u>1,382,774</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(906,060)	6,832	(899,228)
Transfers-In	547,934		547,934
Transfers-Out	(90,502)		(90,502)
Net Receipts Over/(Under) Disbursements	(448,628)	6,832	(441,796)
Fund Cash Balances, January 1	931,851	16,856	948,707
Fund Cash Balances, December 31	<u>\$483,223</u>	<u>\$23,688</u>	<u>\$506,911</u>
Reserve for Encumbrances, December 31	<u>\$78,183</u>	<u>\$4,745</u>	<u>\$82,928</u>

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Paulding, Paulding County, (the Village) as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, mayor's court, police, and emergency medical services (EMS) services. The Village contracts with the Paulding Community Fire Association to receive fire protection services.

The Village participates in a jointly governed organization, Paulding Community Fire Association and a public entity risk pool, the Ohio Municipal Joint Insurance Pool. Notes 9 and 10 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. The Village records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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

Police Fund – This fund receives property tax money paid by Village residents and Mayor’s Court costs to operate the police department.

EMS Fund – This fund receives property tax money paid by Village residents and Contract Services to operate the EMS.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Pool Bond Levy Fund – This fund is used to account for property tax monies paid by the Village residents and to account for the payment of principal and interest on bond anticipation notes used to pay costs on the improvements of the Village Swimming Pool.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Water Treatment Plant Construction – This fund is used to track Ohio Water Development Authority (OWDA) loan proceeds used to fund the pre-construction phase of the new Water Treatment Plant.

Flat Rock/Garfield Waterline – This fund is used to track Ohio Public Works Commission (OPWC) grant monies received to fund waterlines along Flat Rock Drive and Garfield Ave.

Wastewater Pump Station – This fund is used to track OPWC grant monies received to fund a new Wastewater Pump Station.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village’s programs. The Village had the following significant permanent fund:

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Cemetery Trust Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

6. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Water Capital Improvement Fund – This fund receives monies primarily from the Village's bond issue to cover the cost of capital improvements to various water projects.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Capital Improvement Fund – This fund receives monies primarily from the Village's bond issue to cover the cost of capital improvement to various sewer projects.

7. Fiduciary Funds (Trust and Agency Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for the activity of the Mayor's Court and the Paulding Community Fire Association which the Village serves as fiscal agent.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$1,087,925	\$964,747
Certificates of deposit	1,412,311	1,311,344
Total deposits	<u>\$2,500,236</u>	<u>\$2,276,091</u>

At December 31, 2009 and 2008, the Village had \$500 in cash on hand which is included as part of demand deposits.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,486,408	\$1,467,589	(\$18,819)
Special Revenue	859,491	903,229	43,738
Debt Service	279,260	129,125	(150,135)
Capital Projects	153,662	21,215	(132,447)
Enterprise	2,718,819	2,504,996	(213,823)
Permanent	3	3	
Total	\$5,497,643	\$5,026,157	(\$471,486)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,527,966	\$1,501,751	\$26,215
Special Revenue	790,347	750,395	39,952
Debt Service	100,000	95,044	4,956
Capital Projects	62,289	43,718	18,571
Enterprise	2,599,183	2,525,073	74,110
Total	\$5,079,785	\$4,915,981	\$163,804

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$986,644	\$1,015,722	\$29,078
Special Revenue	883,687	932,822	49,135
Debt Service	379,560	368,184	(11,376)
Capital Projects	1,190,900	1,188,664	(2,236)
Enterprise	2,509,379	2,576,967	67,588
Permanent	2	2	
Total	\$5,950,172	\$6,082,361	\$132,189

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,150,426	\$1,146,529	\$3,897
Special Revenue	768,893	718,533	50,360
Debt Service	365,000	364,794	206
Capital Projects	1,191,500	1,184,327	7,173
Enterprise	3,188,432	3,103,778	84,654
Total	\$6,664,251	\$6,517,961	\$146,290

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. Local Income Tax

The Village levies a municipal income tax of ½ percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$183,093	4.5%
Ohio Water Development Authority Loans	1,233,899	4.62% to 6.35%
Bond Anticipation Notes	800,000	3.5%
Long Term Note	160,021	4.55%
Total	<u>\$2,216,992</u>	

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

The Ohio Water Development Authority (OWDA) loans were entered into as cooperative agreements for the construction, maintenance, and operation of water and sewer development projects. Loan #3031 (formally #4020), which had its first installment due January 1, 1997, will be repaid in semiannual installments of \$1,467, including interest, over 20 years. Loan #3367, which had its first installment due January 1, 2003, will be repaid in semiannual installments of \$30,171 over the next five (5) years, including interest, with the remaining principal balance being rolled over into a long term-construction loan.

OWDA has approved an additional loan for the Village. (#4683). This loan has not been finalized, and a loan repayment schedule has not been established. Loan #4683 will be repaid in semiannual installments of \$25,631 over the next five (5) years, including interest, with the remaining principal balance being rolled over into a long-term construction loan. This loan is being used to disburse the constructing, engineering and technical services related to the construction of a new water treatment facility. OWDA does not consider this loan complete and has not provided the Village with an amortization schedule.

The Village issued bond anticipation notes for such projects as improving the water treatment plan; Gasser Road water and sewer improvements; and Village water and sewer improvements. The bond anticipation notes are one-year renewals with a maturity date of May 21, 2010, and in interest rate of 3.50%.

In 2008, The Village issued notes in the total amount of \$240,000 for the renovations and improvements made to the swimming pool. The notes mature in annual principal installments of \$80,000 on September 1, in the years 2009 through 2011. The notes bear interest at a rate of 4.55% payable on each March 1 and September 1, beginning March 1, 2009 until the principal amount is paid or payment is provided for.

The OPWC and OWDA loans and bond anticipation notes for water and sewer related improvements are repaid from the Water and Sewer Collection funds, which are primarily funded by user fees. The bond anticipation notes for renovations and improvements to the Village's swimming pool are repaid from the Pool Debt Service fund which is funded by a voter approved tax levy.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

Year ending December 31:	OPWC Loans	OWDA Loans	General Obligation Bonds	Swimming Pool Note
2010	\$42,866	\$63,276	\$828,000	\$87,280
2011	42,866	63,276		83,640
2012	42,866	63,276		
2013	42,866	63,276		
2014	35,009	63,276		
2015-2017		125,084		
Total	<u>\$206,473</u>	<u>\$441,464</u>	<u>\$828,000</u>	<u>\$170,920</u>

7. Village Leases

The Village entered into several leases for such items as a John Deere track mower, street sweeper, postage meter, copiers, and police cars. These leases are repaid from General, Street Construction and Maintenance, Water Capital Improvements, Sewer Capital Improvements, and Police Funds.

Future minimum lease payments are scheduled as follows:

Year Ending December 31:	Leases
2010	\$17,262
2011	13,822
Total	<u>\$31,084</u>

8. Retirement Systems

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009, OP&F participants contributed 10% of their wages and the Village contributed an amount equal to 19.5% of full-time law enforcement members' wages. For 2009 OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

9. Risk Management

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

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

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$2,552,519	\$ 2,405,834
Liabilities	<u>(2,814,306)</u>	<u>(2,877,385)</u>
Accumulated deficit	<u>(\$261,787)</u>	<u>(\$471,551)</u>

10. Jointly Governed Organization

The Paulding County Fire Association (PCFA) is jointly governed organization which provides fire fighting services to three townships and three villages (member subdivisions) within Paulding County. The PCFA relies upon its member subdivisions for the funding of its operations. Each member subdivision has a vote on the operating budget of the PCFA. The member subdivision's share of the PCFA budget is based on a ratio which incorporates the number of fire runs taking place within its subdivision and plus current subdivision valuation in relation to overall fire runs and valuation. The Village serves as fiscal agent for the PCFA. Its share of the budget was \$26,465 and \$24,735, respectively in 2009 and 2008.

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Paulding, Paulding County, (the Village) as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated April 1, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies that might be deficiencies, significant deficiencies or material weaknesses. We identify any deficiencies in internal control over financial reporting that we consider material weaknesses as defined above. However, we identified a certain deficiency in internal control over financial reporting described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-001 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 1, 2010.

We intend this report solely for the information and use of management, the finance committee, the Village Council and others within the Village. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

April 1, 2010

**VILLAGE OF PAULDING
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Significant Deficiency - Financial Reporting

The following grant revenues were classified as other miscellaneous revenues instead of intergovernmental:

1. Ohio Public Works Commission monies in the Flatrock/Garfield Water Line, (\$81,218) the Electric Generator, (\$6,488), and the Wastewater Pump Station Multi-Street Improvement, (\$255,335) Funds during 2008 and the Flatrock/Garfield Water Line (\$15,769).
2. Department of Natural Resources monies in the General Fund of \$50,000 during 2009.

Also monies transferred, (\$125,000) from the Sewer Fund to the Sewer Capital Improvement Fund were recorded as "Capital Outlay" instead of Transfers Out.

Adjustments were made to the accompanying financial statements to correct these errors.

Sound financial reporting is the responsibility of the financial officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Finance Officer and the finance committee, to identify and correct errors and omissions. In addition, the Finance Officer should also review the Uniform Accounting Network's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Officials Response:

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AN 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 5705.41(D) Disbursements not certified by the Village	Yes	
2007-002	Significant Deficiency – Financial Reporting	No	Not Corrected – Reissued as Finding 2009-001 in this report.



Mary Taylor, CPA
Auditor of State

VILLAGE OF PAULDING

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2010**