



Dave Yost • Auditor of State

VILLAGE OF PAULDING
PAULDING COUNTY

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Dave Yost • 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.

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Dave Yost
Auditor of State

May 3, 2012

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Dave Yost • 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, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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.

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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Paulding, Paulding County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2012, 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 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 conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 3, 2012

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$160,501	\$260,868				\$421,369
Municipal Income Tax	405,499					405,499
Intergovernmental	111,967	258,735		\$330,443		701,145
Charges for Services	26,320	241,415				267,735
Fines, Licenses and Permits	24,996	6,021		2,934		33,951
Earnings on Investments	4,865	3,879			\$1	8,745
Miscellaneous	31,145	25,943				57,088
<i>Total Cash Receipts</i>	<u>765,293</u>	<u>796,861</u>		<u>333,377</u>	<u>1</u>	<u>1,895,532</u>
Cash Disbursements						
Current:						
Security of Persons and Property	72,827	510,386				583,213
Public Health Services	19,752					19,752
Leisure Time Activities	52,645	67,187				119,832
Community Environment	6,941					6,941
Basic Utility Services	13,619			44,998		58,617
Transportation	10,393	138,432				148,825
General Government	222,518					222,518
Capital Outlay	3,861	573,973		259,447		837,281
Debt Service:						
Principal Retirement			\$80,000			80,000
Interest and Fiscal Charges			3,643			3,643
<i>Total Cash Disbursements</i>	<u>402,556</u>	<u>1,289,978</u>	<u>83,643</u>	<u>304,445</u>		<u>2,080,622</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>362,737</u>	<u>(493,117)</u>	<u>(83,643)</u>	<u>28,932</u>	<u>1</u>	<u>(185,090)</u>
Other Financing Receipts (Disbursements)						
Sale of Bonds		525,000				525,000
Transfers In		140,000				140,000
Transfers Out	(421,589)					(421,589)
Other Financing Uses					(18)	(18)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(421,589)</u>	<u>665,000</u>			<u>(18)</u>	<u>243,393</u>
<i>Net Change in Fund Cash Balances</i>	<u>(58,852)</u>	<u>171,883</u>	<u>(83,643)</u>	<u>28,932</u>	<u>(17)</u>	<u>58,303</u>
<i>Fund Cash Balances, January 1</i>	<u>549,365</u>	<u>1,378,548</u>	<u>115,214</u>	<u>22,531</u>	<u>1,604</u>	<u>2,067,262</u>
Fund Cash Balances, December 31						
Nonspendable					1,587	1,587
Restricted		785,042	31,571	25,999		842,612
Committed		765,389		25,464		790,853
Unassigned	490,513					490,513
<i>Fund Cash Balances, December 31</i>	<u>\$490,513</u>	<u>\$1,550,431</u>	<u>\$31,571</u>	<u>\$51,463</u>	<u>\$1,587</u>	<u>\$2,125,565</u>

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Funds	Fiduciary Funds	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,493,793	\$60,000	\$1,553,793
Fines, Licenses and Permits	2,544	12,075	14,619
Miscellaneous	124,431	4,358	128,789
<i>Total Operating Cash Receipts</i>	<u>1,620,768</u>	<u>76,433</u>	<u>1,697,201</u>
Operating Cash Disbursements			
Personal Services	619,940	24,291	644,231
Contractual Services	420,830	30,488	451,318
Supplies and Materials	67,331	8,954	76,285
<i>Total Operating Cash Disbursements</i>	<u>1,108,101</u>	<u>63,733</u>	<u>1,171,834</u>
<i>Operating Income</i>	<u>512,667</u>	<u>12,700</u>	<u>525,367</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental		518	518
Special Assessments	6,617		6,617
Sale of Notes	1,025,000		1,025,000
Capital Outlay	(388,522)	(720)	(389,242)
Principal Retirement	(730,729)	(3,080)	(733,809)
Interest and Other Fiscal Charges	(38,965)		(38,965)
Other Financing Uses	(9,430)	(8,447)	(17,877)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(136,029)</u>	<u>(11,729)</u>	<u>(147,758)</u>
<i>Income before Transfers</i>	376,638	971	377,609
Transfers In	310,431		310,431
Transfers Out	(28,842)		(28,842)
<i>Net Change in Fund Cash Balances</i>	658,227	971	659,198
<i>Fund Cash Balances, January 1</i>	<u>745,642</u>	<u>20,771</u>	<u>766,413</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,403,869</u></u>	<u><u>\$21,742</u></u>	<u><u>\$1,425,611</u></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, 2010

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$163,248	\$266,153	\$109,974			\$539,375
Municipal Income Tax	408,040					408,040
Intergovernmental	134,631	276,927	18,495	\$13,300		443,353
Charges for Services	20,275	233,642				253,917
Fines, Licenses and Permits	25,423	3,799		3,414		32,636
Earnings on Investments	7,214	2,587			\$1	9,802
Miscellaneous	149,476	15,717				165,193
Total Cash Receipts	908,307	798,825	128,469	16,714	1	1,852,316
Cash Disbursements:						
Current:						
Security of Persons and Property	68,078	557,535				625,613
Public Health Services	21,121					21,121
Leisure Time Activities	52,563	70,029				122,592
Community Environment	9,673					9,673
Basic Utility Service	23,140					23,140
Transportation	6,981	140,598				147,579
General Government	205,087					205,087
Debt Service:						
Redemption of Principal			80,000			80,000
Interest and Fiscal Charges			7,280			7,280
Capital Outlay	162,180	50,244		16,867		229,291
Total Cash Disbursements	548,823	818,406	87,280	16,867		1,471,376
Total Cash Receipts Over/(Under) Cash Disbursements	359,484	(19,581)	41,189	(153)	1	380,940
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Other Debt Proceeds				3,567		3,567
Transfers-In		100,000				100,000
Transfers-Out	(382,050)					(382,050)
Other Financing Uses			(4,232)		(8)	(4,240)
Total Other Financing Receipts / (Disbursements)	(382,050)	100,000	(4,232)	3,567	(8)	(282,723)
Net Change in Fund Cash Balances	(22,566)	80,419	36,957	3,414	(7)	98,217
Fund Cash Balances, January 1	571,931	1,298,129	78,257	19,117	1,611	1,969,045
Fund Cash Balances, December 31	\$549,365	\$1,378,548	\$115,214	\$22,531	\$1,604	\$2,067,262
Reserve for Encumbrances, December 31	\$34,000	\$40,257				\$74,257

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, 2010**

	<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	\$1,420,368	\$60,000	\$1,480,368
Fines, Licenses and Permits	687	9,856	10,543
Miscellaneous	85,240	2,369	87,609
Total Operating Cash Receipts	<u>1,506,295</u>	<u>72,225</u>	<u>1,578,520</u>
Operating Cash Disbursements:			
Personal Services	597,943	25,408	623,351
Contractual Services	448,678	22,870	471,548
Supplies and Materials	68,770	5,954	74,724
Total Operating Cash Disbursements	<u>1,115,391</u>	<u>54,232</u>	<u>1,169,623</u>
Operating Income	<u>390,904</u>	<u>17,993</u>	<u>408,897</u>
Non-Operating Cash Receipts:			
Intergovernmental		8,000	8,000
Special Assessments	6,906		6,906
Sale of Notes	600,000		600,000
Total Non-Operating Cash Receipts	<u>606,906</u>	<u>8,000</u>	<u>614,906</u>
Non-Operating Cash Disbursements:			
Capital Outlay	49,780	9,518	59,298
Redemption of Principal	957,404	7,585	964,989
Interest and Other Fiscal Charges	28,000		28,000
Other Non-Operating Cash Disbursements	11,430	6,914	18,344
Total Non-Operating Cash Disbursements	<u>1,046,614</u>	<u>24,017</u>	<u>1,070,631</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(48,804)	1,976	(46,828)
Transfers-In	433,858		433,858
Transfers-Out	(151,808)		(151,808)
Net Receipts Over Disbursements	233,246	1,976	235,222
Fund Cash Balances, January 1	<u>512,396</u>	<u>18,795</u>	<u>531,191</u>
Fund Cash Balances, December 31	<u>\$745,642</u>	<u>\$20,771</u>	<u>\$766,413</u>
Reserve for Encumbrances, December 31	<u>\$101,388</u>	<u>\$2,288</u>	<u>\$103,676</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, 2011 AND 2010**

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, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, mayor's court, police, and emergency medical services (EMS). 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 Plan. Notes 9 and 10 to the financial statements provides additional information for these entities.

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. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificate of deposits and the repurchase agreement 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.

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:

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 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 cost 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:

Cherry Street/North Drive Fund – This fund receives Ohio Public Works Commission funds for the repair and improvement made to the Cherry Street and North Drive Street water and sewer lines.

Waste Water Lagoon Fund – This fund receives Ohio Public Works Commission funds and Community Development Block Grant funds to be used towards the construction phase of the Waste Water treatment plant.

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:

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:

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

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 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 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 2011 and 2010 budgetary activity appears in Note 3.

VILLAGE OF PAULDING
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. 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 and Investments

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

	2011	2010
Demand deposits	\$244,996	\$564,100
Certificates of deposit	1,412,598	1,412,926
Total deposits	1,657,594	1,977,026
Repurchase agreement	1,893,582	856,649
Total deposits and investments	\$3,551,176	\$2,833,675

At December 31, 2011 and 2010, 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.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$797,230	\$765,293	(\$31,937)
Special Revenue	1,486,121	1,461,861	(24,260)
Capital Projects	450,894	333,377	(117,517)
Permanent	2	1	(1)
Enterprise	2,945,200	2,962,816	17,616
Total	\$5,679,447	\$5,523,348	(\$156,099)

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$873,000	\$824,145	\$48,855
Special Revenue	1,373,325	1,308,448	64,877
Debt Service	84,500	83,643	857
Capital Projects	213,894	304,445	(90,551)
Permanent	18	18	
Enterprise	2,572,388	2,394,211	178,177
Total	<u>\$5,117,125</u>	<u>\$4,914,910</u>	<u>\$202,215</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$954,195	\$908,307	(\$45,888)
Special Revenue	942,627	898,825	(43,802)
Debt Service	119,260	128,469	9,209
Capital Projects	23,000	20,281	(2,719)
Permanent	2	1	(1)
Enterprise	2,707,000	2,547,059	(159,941)
Total	<u>\$4,746,084</u>	<u>\$4,502,942</u>	<u>(\$243,142)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$964,134	\$964,873	(\$739)
Special Revenue	866,282	858,663	7,619
Debt Service	92,000	91,512	488
Capital Projects	17,000	16,867	133
Permanent	10	8	2
Enterprise	2,402,281	2,415,201	(12,920)
Total	<u>\$4,341,707</u>	<u>\$4,347,124</u>	<u>(\$5,417)</u>

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.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Property Tax (Continued)

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.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$111,466	4.5%
Ohio Water Development Authority Loans	1,122,752	4.62% to 6.35%
Bond Anticipation Notes	1,550,000	2.75%
Total	<u>\$2,784,218</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, 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. At December 31, 2011 the Village had received \$854,420 in loan proceeds from this loan.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt (Continued)

The Village issued bond anticipation notes for such projects as improving the water treatment plan; improvements made to Gasser Road, and to Cherry Street – North Drive Street curbing, water and sewer improvements; and various other Village water and sewer improvements. The bond anticipation notes are one-year renewals with a maturity date of May 21, 2012, and in interest rate of 2.75%.

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 Village paid this note off in full on August 1, 2011.

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.

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

Year ending December 31:	OWPC Loan	OWDA Loan	General Obligation Bonds
2012	\$42,866	\$63,276	\$1,592,625
2013	35,544	63,276	
2014	28,221	63,276	
2015	14,110	63,276	
2016		61,809	
Total	\$120,741	\$314,913	\$1,592,625

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
2012	\$9,437
2011	498
Total	\$9,935

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Retirement Systems

The Village's full-time Police 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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages respectively. For 2011 and 2010, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

9. Risk Management

Risk Pool Membership

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village does participate in this coverage.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Risk Management (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 the latest information available

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

10. Jointly Governed Organization

The Paulding Community 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 \$24,911 and \$27,211, respectively in 2011 and 2010.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

11. Subsequent Event

On April 10, 2012, the Village entered into an agreement with the United States Department of Rural Development to finance improvements to its water treatment facility. The total cost of the project is estimated at \$4,997,000. Loan proceeds of \$922,868 have been received by the Village as of the date of this report.

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Dave Yost • 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, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated May 3, 2012 wherein we noted the Village followed 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-003 described in the accompanying schedule of findings to be material weaknesses.

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 also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 3, 2012.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the finance committee, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 3, 2012

**VILLAGE OF PAULDING
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Material Weakness - On-Behalf Payments Received from State of Ohio

In November 2011, the Village was notified by the Ohio Public Works Commission (OPWC) that expenditures were made directly to contractors, in the amounts of \$53,312 for the benefit of the Cherry Street – North Drive Street project and \$60,595 for the benefit of the Waste Water Lagoon project. The Fiscal Officer recorded memorandum entry for the receipt of these funds, but did not record the corresponding disbursement memorandum entry.

Auditor of State Bulletin 2000-008 provides when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. This accounting treatment should only be applied when a local government or its residents are the recipients of benefits as evidenced by an agreement or an approved program application.

This bulletin goes on to state once the grant is awarded or the application is approved, the fiscal officer must obtain an official certificate of estimated resources or an amended certificate of estimated resources for all or part of the grant or project, based on the expected cash disbursements to be made on the local government's behalf in the current fiscal year. Any on-behalf-of payments expected to be made in the next year should be reflected on the next year's certificate

The Fiscal Officer did not include the Ohio Public Works Commission on-behalf of payments as part of the Village's 2011 appropriations.

Audit adjustments made to the financial statements to record the Ohio Public Works Commission on behalf payments to the 2011 Capital Projects Funds.

We recommend the fiscal officer follow the guidelines set forth in Auditor of State Bulletin 2000-008 for recording and budgeting on behalf payments received from the State.

Officials' Response:

The Village's policy for approving disbursements requires approval of the Village administrator and then record disbursements to the financial records. In this situation, such approval was not received until January 2012. The disbursements were recorded at that time.

FINDING NUMBER 2011-002

Material Weakness – Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements involving interfund transfers that required audit adjustments:

- Transfers Out of the General Fund in the amount of \$421,589 and Water Fund in the amount of \$18,842 were classified as Other Financing Uses and Capital outlay expenses respectively.

**FINDING NUMBER 2011-002
(Continued)**

- Fines collected by the Mayors Court Fund are recorded as transfers out (\$6,914 in 2010 and \$8,447 in 2011) when disbursed to other Village funds. These disbursements should be recorded as Other Financing Uses. The fund receiving the monies should record the revenues as Fines, Licenses and Permits. Also, fines distributed to the Police fund, \$1,217 in 2010 and \$1,866 in 2011 were recorded as transfers in.
- Water security deposits applied to customer accounts or refunded in the amounts of \$9,430 in 2011 were recorded as transfers out instead of other financing uses in the Water Security Deposits Fund.

Sound financial reporting is the responsibility of the fiscal 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 Fiscal Officer and the audit committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's Village handbook which contains a chart of accounts. This may help to ensure all accounts are being properly posted to the financial statements.

Officials' Response:

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

FINDING NUMBER 2011-003

Material Weaknesses - Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance classification includes amounts which cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The principal reported in permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

The Village reported the balance of the Cemetery fund (\$1,587) which is a permanent fund, as restricted rather than nonspendable.

The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (such as an ordinance or resolution). Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Special revenue funds are defined as funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

FINDING NUMBER 2011-003
(Continued)

The Village reported fund balances of two special revenue funds (the EMS Contract fund and the EMS Fund) as assigned and unassigned. Since the Village Council has determined by resolution, these funds are to be used for EMS operations, the fund balance of the EMS Contract fund, \$285,612 and the EMS fund, \$466,829 should be classified as committed.

Also, a portion of the fines distributed from its Mayor's court are set aside in a capital improvement fund for park maintenance. The fund balance of \$25,464 was disclosed as committed within the capital projects fund type. There is no formal action taken by Council which has imposed this constraint, therefore these monies should be classified as assigned.

Adjustments were recorded to the 2011 financial statements to reclassify these fund balances.

In order to ensure the Village's governmental fund balances are reported in accordance with GASB 54, we recommend the Village review Auditor of State Bulletin 2011-004.

Officials' Response:

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

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VILLAGE OF PAULDING
PAULDING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Significant Deficiency – Due to Financial Reporting Errors	No	Not Corrected - Reissued as Finding 2011-002 in this report.

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Dave Yost • 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 24, 2012