



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PAULDING COUNTY
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash and Cash Equivalents and Fund Cash Balances – All Governmental and Fiduciary Fund Types	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types	4
Combined Statement of Receipts – Budget and Actual – All Governmental and Similar Fiduciary Fund Types	7
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority – All Governmental and Similar Fiduciary Fund Types	8
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balance – Agency Funds	10
Paulding County Hospital:	
Balance Sheet	11
Statement of Revenues, Expenses, and Changes in Retained Earnings	12
Statement of Changes in Restricted Fund Balances	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
Schedule of Federal Awards Expenditures	35
Notes to the Schedule of Awards Expenditures	36
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	37
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	39
Schedule of Findings	41
Schedule of Prior Audit Findings	43

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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, 1999. 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. 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 generally accepted auditing standards 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 generally accepted accounting principles. 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 generally accepted accounting principles. 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.

As described in Note 5, the County changed its method of accounting for certain Special Revenue, Debt Service, Capital Projects, and Agency Funds.

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, 1999, 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, 1999, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2000, 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.

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.

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

Jim Petro
Auditor of State

June 14, 2000

**PAULDING COUNTY
COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
AS OF DECEMBER 31, 1999**

Cash and Cash Equivalents	<u><u>\$5,605,088</u></u>
 Cash Balances by Fund Type	
Governmental Fund Types:	
General Fund	\$1,504,738
Special Revenue Funds	2,664,994
Capital Projects Funds	196,297
Fiduciary Fund Types:	
Expendable Trust Funds	36,956
Agency Funds	<u>1,202,103</u>
 Total	 <u><u>\$5,605,088</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 SIMILIAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types	
	General	Special Revenue
Receipts:		
Taxes	\$2,631,045	\$1,100,490
Charges for Services	468,571	67,836
Licenses and Permits	2,225	93,054
Fines and Forfeitures	209,553	186,906
Intergovernmental Receipts	374,031	6,043,752
Special Assessments		
Other Receipts	345,662	461,541
Total Receipts	4,031,087	7,953,579
Disbursements:		
General Government:		
Legislative and Executive	1,337,756	179,370
Judicial	541,538	2,290
Public Safety	1,130,640	254,393
Public Works	73,076	2,704,279
Health	6,444	1,722,881
Human Services	79,708	2,133,948
Conservation - Recreation		45,170
Miscellaneous	53,165	413,581
Capital Outlay	255,701	419,260
Debt Service:		
Note Principal Payment		152,986
Interest and Fiscal Charges		7,189
Total Disbursements	3,478,028	8,035,347
Excess of Receipts Over/(Under) Disbursements	553,059	(81,768)
Other Financing Sources (Uses):		
Proceeds of Notes		32,536
Operating Transfers - In		352,096
Operating Transfers - Out	(349,566)	(72,702)
Other Financing Sources	165,635	
Other Financing Uses	(137,720)	
Total Other Financing Sources/(Uses)	(321,651)	311,930
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	231,408	230,162
Fund Cash Balance - January 1	1,273,330	2,434,832
Fund Cash Balance - December 31	\$1,504,738	\$2,664,994

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>Capital Projects</u>	<u>Expendable Trust</u>	
		\$3,731,535
		536,407
		95,279
		396,459
\$345,276		6,763,059
475,988		475,988
48,202	\$77,806	933,211
<u>869,466</u>	<u>77,806</u>	<u>12,931,938</u>
		1,517,126
		543,828
		1,385,033
		2,777,355
		1,729,325
		2,213,656
		45,170
	13,633	480,379
1,219,650		1,894,611
1,622,699		1,775,685
79,132		86,321
<u>2,921,481</u>	<u>13,633</u>	<u>14,448,489</u>
<u>(2,052,015)</u>	<u>64,173</u>	<u>(1,516,551)</u>
1,778,604		1,811,140
11,144	32,509	395,749
(886)	(78,814)	(501,968)
		165,635
		(137,720)
<u>1,788,862</u>	<u>(46,305)</u>	<u>1,732,836</u>
(263,153)	17,868	216,285
459,450	19,088	4,186,700
<u>\$196,297</u>	<u>\$36,956</u>	<u>\$4,402,985</u>

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**PAULDING COUNTY
 COMBINED STATEMENT OF RECEIPTS
 BUDGET AND ACTUAL
 ALL GOVERNMENTAL AND SIMILIAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Fund Types:			
General Fund	\$3,914,440	\$4,196,722	\$282,282
Special Revenue Funds	7,477,996	8,338,211	860,215
Capital Projects Funds	2,681,718	2,659,214	(22,504)
Fiduciary Fund Type:			
Trust Funds	<u>93,995</u>	<u>110,315</u>	<u>16,320</u>
Total (Memorandum Only)	<u>\$14,168,149</u>	<u>\$15,304,462</u>	<u>\$1,136,313</u>

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 SIMILIAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Prior Year Carryover Appropriations</u>	<u>1999 Appropriations</u>
Governmental Fund Types:		
General Fund		\$4,177,037
Special Revenue Funds		9,173,393
Capital Projects Funds		3,498,248
Fiduciary Fund Type:		
Trust Funds		75,281
Total (Memorandum Only)		\$16,923,959

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

<u>Total</u>	<u>Actual 1999 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$4,177,037	\$3,965,314		\$3,965,314	\$211,723
9,173,393	8,108,049		8,108,049	1,065,344
3,498,248	2,922,367		2,922,367	575,881
<u>75,281</u>	<u>92,447</u>		<u>92,447</u>	<u>(17,166)</u>
<u>\$16,923,959</u>	<u>\$15,088,177</u>		<u>\$15,088,177</u>	<u>\$1,835,782</u>

**PAULDING COUNTY
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCE
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Agency Funds
Nonoperating Receipts:	
Other Nonoperating Receipts	\$22,630,436
Nonoperating Disbursements:	
Other Nonoperating Disbursements	22,537,423
Excess of Nonoperating Receipts Over Nonoperating Disbursements Before Interfund Transfers	93,013
Transfers-In	120,979
Transfers-Out	(14,760)
Excess of Nonoperating Receipts Over Nonoperating Disbursements	199,232
Fund Cash Balance - January 1	1,002,871
Fund Cash Balance - December 31	\$1,202,103

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

**PAULDING COUNTY HOSPITAL
BALANCE SHEET
DECEMBER 31, 1999**

Assets and Other Debits

Current Assets:	
Cash and Cash Equivalents	\$63,470
Patient Accounts Receivable, Net	1,976,627
Other Receivables	88,819
Inventories	253,720
Prepaid Expenses	122,473
Assets Limited as to Use:	
Investments	5,633,668
Accrued Interest Receivable	121,667
Notes Receivable	130,677
Property and Equipment, Net	4,738,975
Donor Restricted Funds:	
Investments	587,012
	<u>587,012</u>
Total Assets and Other Debits	<u><u>\$13,717,108</u></u>

Liabilities, Fund Equity And Other Credits

Liabilities:

Current Liabilities:	
Current Maturities of Notes and Capital Lease Payable	\$381,227
Accounts Payable	519,443
Accrued Medicare/Medicaid Settlement	146,410
Accrued Expenses:	
Payroll and Taxes	101,969
Vacation Pay	252,995
Other	48,745
Long-Term Debt:	
Notes and Capital Lease Payable, Net of Current Maturities	1,005,953
	<u>1,005,953</u>
Total Liabilities	<u>2,456,742</u>

Fund Equity and Other Credits:

Contributed Capital	1,900,000
Retained Earnings	8,773,354
Donor Restricted Funds:	
Specific Purpose Funds	13,142
Endowment Funds	573,870
Total Fund Equity and Other Credits	<u>11,260,366</u>
Total Liabilities, Fund Equity and Other Credits	<u><u>\$13,717,108</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, 1999**

Operating Revenues:	
Net Patient Service Revenue	\$10,591,728
Other Revenue	207,805
Loss on Sale of Operating Assets	<u>(795)</u>
Total Operating Revenues	<u>10,798,738</u>
Operating Expenses:	
Salaries and Wages	4,797,459
Employees Benefits	1,181,923
Fees to Individuals and Organizations	772,933
Supplies and Other Expenses	2,114,099
Purchased Services	1,062,317
Depreciation	794,848
Interest	82,985
Provisions for Bad Debt	<u>241,499</u>
Total Operating Expenses	<u>11,048,063</u>
Operating Loss	<u>(249,325)</u>
Nonoperating Revenues/(Expenses):	
Investment Earnings	233,607
Gifts	23,867
Other, Net	<u>3,196</u>
Total Nonoperating Revenues	<u>260,670</u>
Net Income	11,345
Retained Earnings - January 1	<u>8,762,009</u>
Retained Earnings - December 31	<u><u>\$8,773,354</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
YEAR ENDED DECEMBER 31, 1999**

	<u>Donor Restricted Funds</u>	
	<u>Specific Purpose Funds</u>	<u>Endowment Funds</u>
Restricted Fund Balance, beginning of year	\$12,879	\$543,653
Excess of revenues and gains over expenses	<u>263</u>	<u>30,217</u>
Restricted Fund Balance, end of year	<u>\$13,142</u>	<u>\$573,870</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, 1999**

Cash Flows From Operating Activities:	
Operating Loss	(\$249,325)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	794,848
Proceeds From Sale of Assets	1,750
Miscellaneous Nonoperating Income	32,094
Effects of Changes in Operating Assets and Liabilities:	
Receivables, Net	47,113
Inventories	(25,252)
Prepaid Expenses	31,970
Accounts Payable	186,942
Accrued Medicare/Medicaid Settlement	(3,590)
Accrued Expenses	<u>(331,819)</u>
Net Cash Provided by Operating Activities	<u>484,731</u>
Cash Flows From Noncapital Financing Activities:	
Unrestricted Gifts Received	<u>23,867</u>
Net Cash Provided by Noncapital Financing Activities	<u>23,867</u>
Cash Flows From Capital and Related Financing Activities:	
Payment of Debt Principal	(147,543)
Contributed Capital	1,900,000
Purchase of Property and Equipment	(585,152)
Increase in Assets Limited as to Use, Net	<u>(2,118,468)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(951,163)</u>
Cash Flows From Investing Activities:	
Increase in Donor Restricted Funds	(30,480)
Investment Earnings	<u>233,607</u>
Net Cash Provided by Investing Activities	<u>203,127</u>
Net Decrease in Cash and Cash Equivalents	(239,438)
Cash and Cash Equivalents at Beginning of Year	<u>302,908</u>
Cash and Cash Equivalents at End of Year	<u><u>\$63,470</u></u>
 Supplemental Disclosure of Cash Flow Information:	
Cash Paid for:	
Interest	<u><u>\$82,985</u></u>

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

**PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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:

Blended Component Unit

Paulding County Board of Mental Retardation and Development Disabilities (MRDD) - The County Commissioners appoint a majority of the board members. The Commissioners also levy taxes and serve as the appropriating authority for the board. The operations of the board are included on the County's financial statements as a Special Revenue Fund.

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, 1999.

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

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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 1999, the County paid administrative fees of \$43,913 to MVPO.

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 1999, a tax levy provided \$188,185 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.

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.

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

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

financial responsibility for the District. The County received \$50,000 from the District in 1999 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 \$1,369 to the Task Force in 1999. 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.

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.

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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.

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.

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.

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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, 1999, 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.

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.

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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 1999, 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.

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. Such amortization is included in depreciation expenses in the financial statements.

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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.

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

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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 bed 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, 1999 are calculated as follows:

Patient Accounts Receivable	\$3,145,047
Allowance for Uncollectible Amounts	<u>(1,168,420)</u>
Patient Accounts Receivable, Net	<u><u>\$1,976,627</u></u>

C. Assets Limited as to Use

The composition of assets limited as to use at December 31, 1999, is set forth below:

By Hospital Board for Capital Improvements:	
Deposits in Financial Institutions	\$5,633,668
Accrued Interest Receivable	121,667
By Hospital Board to Fund the Health Education Fund:	
Notes Receivable	<u>130,677</u>
Total Assets Limited as to Use	<u><u>\$5,886,012</u></u>

D. Property and Equipment

A summary of Enterprise Fund property and equipment at December 31, 1999, is listed below:

	Estimated Lives		
Land	Not applicable		\$30,609
Land Improvements	5-25 years		124,444
Building and Improvements	5-50 years		5,388,614
Fixed Equipment	5-20 years		1,455,292
Moveable Equipment	5-20 years		5,287,020
Construction in Progress	Not Applicable		<u>169,050</u>
Total Property and Equipment			<u>12,455,029</u>
Less Accumulated Depreciation			<u>(7,716,054)</u>
Property and Equipment, Net			<u><u>\$4,738,975</u></u>

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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.	\$118,480
4.78% commercial note payable to State Bank in 60 months with monthly payments of \$10,166, including interest. Secured by equipment.	157,281
5.52% capital lease payable to Fifth Third Bank in 120 months with monthly payments of \$18,385, including interest. Secured by HVAC system.	<u>1,111,419</u>
Total	<u><u>\$1,387,180</u></u>

Principal payments are due as follows:

2000	\$381,227
2001	230,497
2002	182,378
2003	192,704
2004	203,615
Thereafter	<u>196,759</u>
Total	<u><u>\$1,387,180</u></u>

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

	Total	Principal	Interest
2000	\$220,615	\$163,356	\$57,259
2001	220,615	172,605	48,010
2002	220,615	182,378	38,237
2003	220,615	192,704	27,911
2004	220,615	203,615	17,000
Thereafter	<u>202,233</u>	<u>196,761</u>	<u>5,472</u>
Total	<u><u>\$1,305,308</u></u>	<u><u>\$1,111,419</u></u>	<u><u>\$193,889</u></u>

Assets acquired under capital lease are summarized below:

	Cost	Estimated Life	1999 Depreciation	Accumulated Depreciation
HVAC System	<u><u>\$1,736,188</u></u>	15 years	<u><u>\$115,746</u></u>	<u><u>\$392,687</u></u>

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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.

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, 1999, 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

**PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

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, 1999. Condensed financial statements for the Workshop are as follows for and as of the year ended December 31, 1999.

Condensed Balance Sheet - PC Workshop

Assets:	
Current Assets	\$324,936
Property, Plant, and Equipment	<u>148,051</u>
Total Assets	<u><u>\$472,987</u></u>
Liabilities:	
Current Liabilities	\$16,442
Equity:	
Unrestricted Net Assets	<u>456,545</u>
Total Liabilities and Net Assets	<u><u>\$472,987</u></u>

**Condensed Statement of Activities -
PC Workshop**

Operating Revenues	\$528,959
Operating Expenses	<u>527,832</u>
Net Increase in Net Assets	1,127
Net Assets, January 1	<u>461,250</u>
Net Assets, December 31	<u><u>\$456,545</u></u>

NOTE 5 - RESTATEMENT OF FUND BALANCES

In previous years, the County presented its Child Support Enforcement Agency Note Fund, Fair Board Debt Fund, Soil and Water Conservation District Tractor Fund, Human Services Debt Fund, and Jacob Farm Tiling Project Fund as Debt Service Funds. In 1999, the County reclassified these funds as Capital Projects Funds because the financial activity of these funds more closely resembles that of a Capital Projects Fund.

Previously the County reported its Sheriff Reserve Fund as an Agency Fund. In 1999, the County reclassified this fund as a Special Revenue Fund because the financial activity of this fund more closely resembles that of a Special Revenue Fund.

The County reported its Economic Development Fund in prior years as a Special Revenue Fund. In 1999, the County reclassified this fund as an Agency Fund because the financial activity of this fund more closely resembles that of an Agency Fund.

**PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

Also, certain outside bank accounts in existence prior to 1999 were included for the first time in 1999 on the County's financial statements in the Agency Fund Type.

The restatements to the opening fund balances are as follows:

	Special Revenue	Debt Service	Capital Projects	Agency
Fund Balances originally stated, December 31, 1998	\$2,451,112	\$28,161	\$431,289	\$1,000,946
Prior period adjustment	(16,280)	(28,161)	28,161	1,925
Restated Fund Balances, January 1, 1999	<u>\$2,434,832</u>	<u></u>	<u>\$459,450</u>	<u>\$1,002,871</u>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses originally stated, for the period January 1, through December 31, 1998	\$332,768	(\$266)	\$153,487	\$144,606
Prior period adjustment	(3,312)	266	(266)	3,312
Restated Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses, for the period January 1 through December 31, 1998	<u>\$329,456</u>	<u></u>	<u>\$153,221</u>	<u>\$147,918</u>

NOTE 6 - 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;

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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;
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.

**PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

B. Cash on Hand

Cash on hand consists of \$25,329 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 \$11,789,711 and the bank balance, including non-negotiable certificates of deposit and the amount of deposits representing custodial funds described in Note 1 was \$12,808,596. Of the bank balance:

1. \$1,216,437 was covered by federal depository insurance;
2. \$1,847,357 was collateralized by securities specifically pledged by the financial institution to the County;
3. \$9,715,953 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
4. \$28,849 was uninsured and uncollateralized.

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, 1999, the County's investments were as follows:

	Uncategorized	Carrying Amount	Market Value
STAR Ohio	\$74,198	\$74,198	\$74,198

NOTE 7 - 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, 1999, was \$9.90 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.78 per \$1,000 of assessed valuation for real property classified as residential/agricultural and

**PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

\$8.04 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, 1999, was \$9.90 per \$1,000 of assessed valuation.

Real Property - 1998 Valuation	
Residential/Agricultural	\$ 181,179,420
Commercial/Industrial	22,860,540
Public Utilities	242,690
Tangible Personal Property - 1999 Valuation	
General	25,979,206
Public Utilities - 1998	<u>26,544,990</u>
Total Valuation	<u><u>\$256,806,846</u></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 8 - RISK MANAGEMENT

The County Risk Sharing Authority, Inc., (CORSA), is a public entity risk sharing pool among thirty-nine counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees.

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 1999 was \$135,179.

NOTE 9 - 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.

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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 employee contribution rates are 8.5% for employees other than law enforcement. Law enforcement employees contribute 9.0% of covered salary. The 1999 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units the rate was 13.55% of covered payroll. The law enforcement rate was 16.70% of covered payroll.

The County has paid all contributions required through December 31, 1999.

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, 1999.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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 1999 employer contribution rate for state employers was 13.31% of covered payroll; 4.2% was the portion that was used to fund health care for the year. For local government employers units the rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1998. The law enforcement employer rate for 1999 was 16.70% and 4.2% 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.

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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.

Expenditures for OPEB during 1999 were \$539,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

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. Both systems are on a pay-as-you-go basis.

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 \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

NOTE 11 - 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.

**PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

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 12 - DEBT OBLIGATIONS

The County's outstanding debt at December 31, 1999, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$322,847	0%
Tax Anticipation Notes	692,232	Various
General Obligation Notes	924,998	Various
Hospital Improvement Bond Anticipation Notes, Series 1999	1,900,000	4.5%

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 cost of the project has 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 July 2000.

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

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

	Hospital Improvement Bond Anticipation Notes	Tax Anticipation Notes	General Obligation Notes	OPWC Loan
2000	\$1,900,000	\$692,232	\$924,998	\$17,412
2001				17,412
2002				17,412
2003				17,412
2004				17,412
2005 and Thereafter				235,787
Total	<u>\$1,900,000</u>	<u>\$692,232</u>	<u>\$924,998</u>	<u>\$322,847</u>

NOTE 13 - 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 1999 amounted to \$1,819,920.

NOTE 14 - 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.

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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 15 - SUBSEQUENT EVENT

In April 1999, the County was awarded a \$1,300,000 state grant from the Ohio Department of Rehabilitation and Correction for the construction of a new jail. The Local Jail Program Designation Agreement signed by the Commissioners in May 1999 indicates the County's local match for the project will be \$982,000. As of the date of this report, the construction project is still pending.

**PAULDING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

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	\$10,417
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title VI-B - Special Education Grants to States	066183-6B-SF-99P	84.027	4,670
Title VI (Formerly Chapter II)	066183-C2-S1-98	84.298	500
<i>Passed Through Ohio Department of Health:</i>			
Early Intervention	895-B	84.181	70,836
Total U.S. Department of Education			<u>76,006</u>
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE			
<i>Passed Through Ohio Department of Emergency Management Disaster Assistance:</i>			
Federal Emergency Management Assistance	OH-99-028HM	83.534	29,471
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Health:</i>			
Title XX - Social Services Block Grant	-	93.667	23,323
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Medical Assistance Program (Medicaid: Title XIX)	-	93.778	108,280
Total U.S. Department of Health and Human Services			<u>131,603</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Home Improvement Partnerships Program	B-C-98-058-2	14.239	161,052
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant	B-C-98-058-1	14.228	79,448
Community Development Block Grant	B-F-97-058-1	14.228	23,617
Community Development Block Grant	B-F-98-058-1	14.228	77,626
Community Development Block Grant	B-E-99-058-1	14.228	75,000
Total Community Development Block Grant			<u>255,691</u>
Total U.S. Department of Housing and Urban Development			<u>416,743</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Office of Criminal Justice Services:</i>			
Victims of Crimes Assistance Grant	98VAGENE325T	16.579	26,657
Victims of Crimes Assistance Grant	99VAGENE325T	16.579	10,542
Total U. S. Department of Justice			<u>37,199</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$701,439</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, 1999

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, 1999, the gross amount of loans outstanding under this program was \$223,391.

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, 1999, and have issued our report thereon dated June 14, 2000, 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 generally accepted accounting principles. As described in Note 5, the County changed its method of accounting for certain Special Revenue, Debt Service, Capital Projects, and Agency Funds. We conducted our audit in accordance with generally accepted auditing standards 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 1999-60263-001 and 1999-60263-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated June 14, 2000.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated June 14, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 14, 2000



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM 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, 1999. 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 generally accepted auditing standards; 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, 1999. 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 14, 2000.

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.

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

Jim Petro
Auditor of State

June 14, 2000

**PAULDING COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999**

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)?	No
(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):	Home Improvement Partnership Program (HOME) - CFDA # 14.239 Community Development Block Grant Program (CDBG) - CFDA # 14.228
(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 1999-60263-001

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 1999-60263-002

Finding Repaid Under Audit

Ohio Const. Art. II, Section 20 prohibits in-term increases in compensation for elected officials. For the first 66 days of 1999 the County Auditor was still serving his prior term and should have been compensated at the 1998 salary rate authorized by Ohio Rev. Code 325.18(C)(8). The County Auditor's new term began on March 8, 1999, at which time he was entitled to begin receiving the higher salary amount authorized by Ohio Rev. Code Section 325.18(C)(9). The County Auditor received the entire 1999 salary amount in calendar year 1999, which constitutes an in-term increase in compensation. In accordance with the forgoing facts, a finding for recovery is hereby issued against C. William Bolenbaugh, County Auditor, and Western Surety Company, his bonding company, jointly and severally, in the amount of \$215.73, in favor of the County General Fund.

1998 Salary	\$39,312.00	
1998 Daily Rate	\$107.70	
1998 Daily Rate x 66 days		\$7,108.20
1999 Salary	\$40,491.00	
1999 Daily Rate	\$110.93	
1999 Daily Rate x 299 days		33,168.07
Per Capita Allowance		<u>1,600.00</u>
Total Salary Authorized in 1999		41,876.27
Total Salary Paid in 1999		<u>42,092.00</u>
Overpayment Amount		<u><u>\$215.73</u></u>

The finding for recovery was repaid in March 2000. The County Auditor's salary for the pay ending March 3, 2000, was reduced by \$215.73.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**PAULDING COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-60263-001	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.



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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 13, 2000**