FINANCIAL CONDITION
PAULDING COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003

Auditor of State
Betty Montgomery

TABLE OF CONTENTS

This page intentionally left blank.

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, 2003, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Paulding County Hospital, the County's enterprise fund type. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Paulding County Hospital, is based on the report of the other auditors.

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

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, with the exception of the Paulding County Hospital, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

As described in Note 13, the County reclassified the Juvenile Court Fund and the Sheriff's Reserve and Commissary Funds from Agency Funds to Special Revenue Funds.

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

In our opinion, the financial statements referred to above, other than the 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, 2003, 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 2. 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, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principals generally accepted in the United States of America.

The Paulding County Hospital Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information the Governmental Accounting Standards Board requires. The other auditor has applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, the other auditor did not audit the information and expresses no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We conducted our audit to opine on the County's financial statements taken as a whole. U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires presenting a federal awards expenditure schedule and is not a required part of the financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the County's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the County's 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, federal awarding agencies, and pass-through entities, 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.

Betty Montgomery

Betty Montgomery
Auditor of State

July 28, 2004

PAULDING COUNTY

COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF DECEMBER 31, 2003

Cash and Cash Equivalents	**$ 7,381,311**
Cash Balances by Fund Type:	
Governmental Fund Types:	
General Fund	$ 1,448,128
Special Revenue Funds	3,614,741
Debt Service Fund	93,446
Capital Projects Funds	533,541
Fiduciary Fund Types:	
Expendable Trust Funds	40,691
Agency Funds	1,650,764
Total	**$ 7,381,311**

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

PAULDING COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts:		
Taxes	$ 2,402,714	$ 1,125,419
Charges for Services	595,997	424,625
Licenses and Permits	1,890	78,827
Fines and Forfeitures	264,944	155,686
Intergovernmental Receipts	394,555	6,278,215
Special Assessments		6,374
Other Receipts	136,639	905,535
Total Cash Receipts	3,796,739	8,974,681
Cash Disbursements:		
General Government:		
Legislative and Executive	1,382,993	270,973
Judicial	623,360	
Public Safety	1,487,000	399,783
Public Works	43,437	2,997,018
Health	7,018	1,940,433
Human Services	109,050	2,401,788
Conservation - Recreation		47,894
Miscellaneous	162,587	705,149
Capital Outlay	34,181	303,302
Debt Service:		
Bond Principal Payment		
Note Principal Payment		17,412
Interest and Fiscal Charges		
Total Cash Disbursements	3,849,626	9,083,752
Excess of Cash Receipts Over/(Under) Cash Disbursements	(52,887)	(109,071)
Other Financing Sources (Uses):		
Proceeds of Notes		
Operating Transfers - In		186,986
Operating Transfers - Out	(190,886)	
Advances-In Not Repaid	4,490	26,475
Advances-Out Not Repaid	(26,475)	(4,490)
Other Financing Sources	231,603	
Other Financing Uses	(173,939)	
Total Other Financing Sources (Uses)	(155,207)	208,971
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Uses	(208,094)	99,900
Fund Cash Balance - January 1	1,656,222	3,514,841
Fund Cash Balance - December 31	**$ 1,448,128**	**$ 3,614,741**

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

Governmental Fund Types		Fiduciary Fund Type	
Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
$ 141,204	$ 207,646	$ -	$ 3,876,983
			1,020,622
			80,717
			420,630
	422,978		7,095,748
	395,140		401,514
	151,263	49,964	1,243,401
141,204	1,177,027	49,964	14,139,615
			1,653,966
			623,360
			1,886,783
			3,040,455
			1,947,451
		130,000	2,640,838
			47,894
	10,416		878,152
	783,560		1,121,043
45,000			45,000
	2,300,008		2,317,420
93,848	75,497		169,345
138,848	3,169,481	130,000	16,371,707
2,356	(1,992,454)	(80,036)	(2,232,092)
	2,066,532		2,066,532
	7,475		194,461
	(3,575)		(194,461)
			30,965
			(30,965)
	10		231,613
	(125,066)		(299,005)
	1,945,376		1,999,140
2,356	(47,078)	(80,036)	(232,952)
91,090	580,619	120,727	5,963,499
$ 93,446	**$ 533,541**	**$ 40,691**	**$ 5,730,547**

This page intentionally left blank.

COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	$ 4,085,613	$ 4,028,342	$ (57,271)
Special Revenue Funds	10,660,004	9,161,667	(1,498,337)
Debt Service	139,000	141,204	2,204
Capital Projects Funds	3,484,163	3,251,044	(233,119)
Fiduciary Fund Type:			
Trust Funds	42,031	49,964	7,933
Total (Memorandum Only)	**$ 18,410,811**	**$ 16,632,221**	**$ (1,778,590)**

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

PAULDING COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2003

	Prior Year Carryover Appropriations	2003 Appropriations
Governmental Fund Types:		
General Fund	$ -	$ 4,382,015
Special Revenue Funds		10,787,005
Debt Service Fund		138,847
Capital Projects Funds		3,614,391
Fiduciary Fund Type:		
Trust Funds		130,000
Total (Memorandum Only)	**$ -**	**$ 19,052,258**

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

Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
$ 4,382,015	$ 4,214,451	$ -	$ 4,214,451	$ 167,564
10,787,005	9,083,752		9,083,752	1,703,253
138,847	138,848		138,848	(1)
3,614,391	3,298,122		3,298,122	316,269
130,000	130,000		130,000	
$ 19,052,258	**$ 16,865,173**	**$ -**	**$ 16,865,173**	**$ 2,187,085**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE AGENCY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2003

	Fiduciary Fund Type
	Agency Funds
Nonoperating Cash Receipts:	
Other Nonoperating Receipts	$ 23,613,847
Nonoperating Cash Disbursements:	
Other Nonoperating Disbursements	23,675,187
Excess of Nonoperating Cash Receipts Under Nonoperating Cash Disbursements	(61,340)
Fund Cash Balance - January 1	1,712,104
Fund Cash Balance - December 31	**$ 1,650,764**

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

NOTE 1 - DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

Paulding County (the County) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, Common Pleas Court Judges, a Probate/Juvenile Court Judge, and a County Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serving as the budget and taxing authority, contracting body and chief administrator of public services for the County.

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. The Hospital prepares its financial statements in accordance with a basis of accounting which is different from that used by the County to report it other activities, and consequently, the Hospital's financial statements and related notes are presented separately.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-3(B) to prepare its annual financial report in accordance with generally accepted accounting principles in the United States of America, the County, with the exception of the Paulding County Hospital, the County's Enterprise fund type, chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principals. 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.

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.

1. Governmental Fund Types

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

General Fund - The General Fund is the operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

2. Proprietary Fund Types

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

Enterprise Fund - This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

3. Fiduciary Fund Types

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

B. Budgetary Process

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

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

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

1. Budget

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

2. Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1 this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31 the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2003, 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. The appropriation measure is the County Commissioners' authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, function level for the General Fund and the fund level for all other funds. 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.

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 2003, investments were limited to a repurchase agreement, 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 - DEPOSITS AND INVESTMENTS

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

A. Legal Requirements

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

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 percent of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

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

B. Cash on Hand

Cash on hand was $16,277 as of December 31, 2003.

C. Deposits

At year-end, the carrying amount of the County's deposits, excluding the Paulding County Hospital, including non-negotiable certificates of deposit, was $1,523,694 and the bank balance, including non-negotiable certificates of deposit was $1,849,454. Of the bank balance:

1. $704,739 was covered by federal depository insurance;

2. $775,781 was collateralized by securities specifically pledged by the financial institution to the County;

3. $368,934 was covered by collateral held by third party trustee pursuant to § 135.181, Revised Code, in collateralized pools securing all public funds on deposits with specific depository institutions.

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.

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

As of December 31, 2003, the County's investments were as follows:

	Carrying Amount	Market Value
STAR Ohio	$ 2,624,198	$ 2,624,198
Repurchase Agreement	3,217,142	3,217,142
Total Investments	$ 5,841,340	$ 5,841,340

NOTE 4 - 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 2001.

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, 2003 was $12.26 per $1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was $9.77 per $1,000 of assessed valuation for real property classified as residential/agricultural and $10.21 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, 2003, was $12.26 per $1,000 of assessed valuation.

Real Property-2002 Valuation	
Residential/Agricultural	$ 206,268,630
Commercial/Industrial	26,258,170
Public Utilities	195,140
Tangible Personal Property-2003 Valulation	
General	28,565,200
Public Utilities-2002	23,449,700
Total Valuation	$ 284,736,840

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 5 - RISK MANAGEMENT

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

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

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31 (latest information available):

	2002	2001
Cash and investments	$ 37,853,987	$ 41,390,053
Actuarial liabilities	10,660,095	11,381,615

NOTE 6 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The County contributes to the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a cost- sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and death benefits, annual cost of living adjustments, and post-retirement healthcare benefits to qualifying members of both the Traditional and the Combined Plans; however, healthcare benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Chapter 145 of the Ohio Revised Code assigns authority to establish and amend benefit provisions to the OPERS Board of Trustees. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6705 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 percent for employees other than law enforcement. In January 2001, House Bill 416 divided the OPERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1 percent. All other members of the OPERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9 percent

For local government employer units the rate was 13.55 percent of covered payroll. The 2003 employer contribution rate for both the law enforcement and public safety divisions was 16.70 percent of covered payroll.

Required employer contributions are equal to 100 percent of the dollar amount billed each employer and must be extracted from the employer's records.

The County has paid all contributions required through December 31, 2003.

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. 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, 2003.

NOTE 7 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor receipts is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2003 employer contribution rate for state employees was 13.31 percent of covered payroll of which 5.00 percent was the portion used to fund health care for the year. For local government employer units the rate was 13.55 percent of covered payroll and 5.00 percent was the portion used to fund health care for the year. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70 percent and 5.00 percent 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 OPERS.

Summary of Assumptions:

Actuarial Review: The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 2002.

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

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

Investment Return: The investment assumption rate for 2002 was 8.00 percent.

Active Employee Total Payroll: An annual increase of 4.00 percent compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.30 percent.

Health Care: Health care costs are assumed to increase 4.00 percent annually.

OPEB is advance-funded on an actuarially determined basis.

The number of active contributing participants was 364,881.

The 2002 employer contribution rate for state employees was 13.31 percent of covered payroll of which 5.00 percent was the portion used to fund health care for the year. For local government employer units the rate was 13.55 percent of covered payroll and 5.00 percent was the portion used to fund health care for the year. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70 percent and 5.00 percent was used to fund health care.

The retirement board elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of OPERS' actual funding methodology. As of December 31, 2002, the actuarial value of the Retirement System's net assets was $10,000,000,000. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18,700,000,000 and $8,700,000,000, respectively.

In 2003, the portion of the County's employer contributions that were used to fund post employment benefits were $297,043.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account features, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. State Teachers Retirement System

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

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 Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was $3 billion on June 30, 2002.

For the year ended June 30, 2002, net health care costs paid by STRS were $354,697,000. There were 84,069 eligible benefit recipients.

NOTE 8 - EMPLOYEE BENEFITS

A. Sick Leave and Vacation Leave Benefits

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn ten to twenty five 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, non bargaining unit employees employed before April 30, 2001 may have payment for one-half of all accrued, but unused sick leave credit provided the employee has ten or more years of service with the County. Non bargaining employees employed after April 30, 2001 upon retirement with ten years or more of service may have payment for one-quarter of all accrued, but unused sick leave.

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 are not subject to taxation until the distribution is made to the employee.

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

NOTE 9 - DEBT OBLIGATIONS

The County's outstanding debt at December 31, 2003, was as follows:

Vendor	Total Principal Amount	Interest Rate
Ohio Public Works Commission Loans	$ 257,915	0%
Tax Anticipation Notes	154,004	Various
General Obligation Notes	1,905,554	Various
Hospital Improvement Bonds, Series 2001	1,820,000	Various

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 benefited 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 building improvements; county annex renovations; human service building improvements; tractor purchase; and improvements to the fair board. These notes are re-issued annually until the costs of the projects have been recovered.

The Hospital Improvement Bonds, Series 2001, were received in December 2001. The bonds were issued to pay costs of renovating, expanding, modernizing, and equipping the Paulding County Hospital.

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

	Hospital Improvement Bonds	Tax Anticipation Notes	General Obligation Notes	OPWC Loan
2004	$ 137,723	$ 154,004	$ 2,317,473	$ 17,412
2005	136,417			17,412
2006	139,955			17,412
2007	138,205			17,412
2008	141,330			17,412
2009 and Thereafter	2,489,268			170,854
Total	$ 3,182,898	$ 154,004	$ 2,317,473	$ 257,914

NOTE 10 - 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 2003 amounted to $1,497,939.

NOTE 11 - CONTINGENT LIABILITIES

Litigation

Only one lawsuit involving the County is pending. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial statements.

NOTE 12 - COMPLIANCE

Ohio Administrative Code § 117-2-3b requires that the County prepare its annual financial report in accordance with generally accepted accounting principles. The County prepared its 2003 financial report on a basis of accounting formerly prescribed or permitted by the Auditor of State.

NOTE 13 – RESTATEMENT OF FUND BALANCES

The beginning balances of the Special Revenue Funds and the Agency Funds have been restated to properly report juvenile court council money as well as the Sheriff's Reserve and Commissary Accounts in a Special Revenue Fund in accordance with the requirements of the Ohio Revised Code. The beginning balance of the Agency Funds was also restated to properly reflect the book balance of the Sheriff's bank accounts.

The effects of the restatement are shown below:

Special Revenue Fund balance of as previously reported, December 31, 2002	$	3,501,769
Reclassification of the Juvenile Court Fund		6,914
Reclassification of the Sheriff's Reserve and Commissary Accounts		6,158
Special Revenue Fund balance as restated at January 1, 2003	$	3,514,841

Excess of Revenue and Other Sources Over Expenditures and Other Uses as previously stated in the Special Revenue Funds as of December 31, 2002	$	578,722
Change in the Excess of Revenue and Other Sources Over Expenditures and Other Uses in the Special Revenue Funds as of December 31, 2002:		
Reclassification of the Juvenile Court Fund		(6,018)
Reclassification of the Sheriff's Reserve and Commissary Accounts		2,319
Excess Cash Receipts over Cash Disbursement as restated in the Special Revenue Funds as of December 31, 2002	$	575,023

(Continued)

Agency Funds balance of as previously reported, December 31, 2002	$	1,803,281
Reclassification of the Juvenile Court Fund		(6,914)
Reclassification of the Sheriff's Reserve and Commissary Accounts		(6,158)
Restatement of the Sheriff's Bank Accounts		(78,105)
Agency Funds balance as restated at January 1, 2003	$	1,712,104

Excess of Revenue and Other Sources Over Expenditures and Other Uses as previously stated in the Agency Funds as of December 31, 2002	$	511,105
Change in the Excess of Revenue and Other Sources Over Expenditures and Other Uses in the Agency Funds as of December 31, 2002:		
Reclassification of the Juvenile Court Fund		6,018
Reclassification of the Sheriff's Reserve and Commissary Accounts		(2,319)
Restatement of the Sheriff's Bank Accounts		(78,105)
Excess Cash Receipts over Cash Disbursement as restated in the Agency Funds as of December 31, 2002	$	436,699

Management's Discussion and Analysis

The discussion and analysis of Paulding County Hospital's consolidated financial statements provides an overview of the Hospital's financial activities for the year ended December 31, 2003. Management is responsible for the completeness and fairness of the financial statements and the related footnote disclosures along with the discussion and analysis.

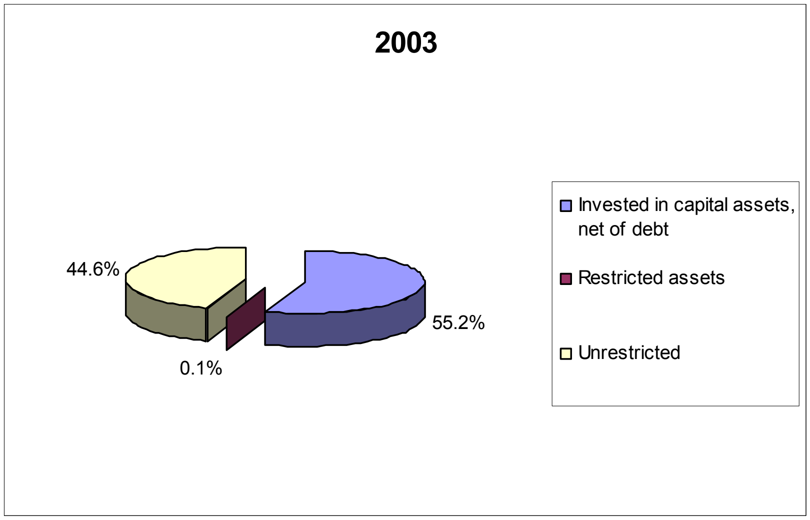
Using this Annual Report

The Hospital’s financial statements consists of three statements – Balance Sheet, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purpose by contributors, grantors, or enabling legislation.

Financial Highlights

The Hospital's financial position increased slightly during the year ended December 31, 2003. The current assets increased by $507,030 or 17.7 percent from the prior year. In total, the Hospital's net assets increased $200,253 or 1.6 percent from the previous year. The increase in net assets resulted from a slight increase in patient revenue, driven largely by outpatient volumes.

The following chart provides a breakdown of net assets by category for the year ended December 31, 2003:



In the year ended December 31, 2003, the Hospital's revenues and other support exceeded expenses, creating an increase in net assets of $200,253 (compared to a $1,027,576 increase in the previous year).

The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the Hospital's finances is "Is Paulding County Hospital as a whole better off or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the Hospital as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Paulding County Hospital's operating results.

These two statements report Paulding County Hospital's net assets and changes in them. You can think of Paulding County Hospital's net assets - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other non-financial factors, such as the trend in patient days, outpatient visits, conditions of the buildings, and strength of the medical staff, to assess the overall health of the Hospital.

The statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Condensed Financial Information

The following is a comparative analysis of the major components of the Statement of Net Assets of the Hospital as of December 31, 2003:

	Year Ended December 31		Change	
	2003	2002	Amount	Percent
Current assets	$ 3,368,965	$ 2,861,935	$ 507,030	17.7%
Non-current assets	4,006,487	3,983,490	22,997	0.6%
Capital assets	7,432,123	7,505,583	(73,460)	-1.0%
Total assets	14,807,575	14,351,008	456,567	3.2%
Current liabilities	2,114,566	1,598,097	516,469	32.3%
Long-term liabilities	329,496	589,651	(260,155)	-44.1%
Total liabilities	2,444,062	2,187,748	256,314	11.7%
Net assets:				
Invested in capital assets, net of debt	6,830,653	6,661,708	168,945	2.5%
Restricted assets	13,754	13,705	49	0.4%
Unrestricted	5,519,106	5,487,847	31,259	0.6%
Total net assets	$ 12,363,513	$ 12,163,260	$ 200,253	1.6%

Current assets increased as a result of the Hospital continuing to improve in converting its accounts receivable into cash (total days in accounts receivable decreased by 4 from the prior year).

Current liabilities increased as a result of timing for expenses received after the end of the fiscal year, substantial increases in self-funded health insurance claims and increased expense from the Bureau of Workers Compensation premiums.

Operating Results for the Year

	2003	2002	Change Amount	Change Percent
Operating Revenue				
Net patient service revenue	$14,514,956	$14,051,601	$ 463,355	3.3%
Other	170,425	202,393	(31,968)	(15.8%)
Total operating revenue	14,685,381	14,253,994	431,387	3.0%
Operating Expenses				
Salaries and wages	6,820,816	6,346,524	474,292	7.5%
Employee benefits	2,189,492	1,820,894	368,598	20.2%
Professional fees	350,056	264,595	85,461	32.3%
Supplies and other expenses	2,936,663	2,808,723	127,940	4.6%
Purchased services	1,175,000	1,243,619	(68,619)	(5.5%)
Depreciation	866,049	750,354	115,695	15.4%
Interest	47,989	50,824	(2,835)	(5.6%)
Provision for bad debts	227,136	414,819	(187,683)	(45.2%)
Total operating expenses	14,613,201	13,700,352	912,849	6.7%
Income from Operations	72,180	553,642	(481,462)	(87.0%)
Non-Operating Gains (Losses)				
Investment income	101,303	97,822	3,481	3.6%
Interest earnings on restricted assets	49	128	(79)	(61.7%)
Contributions	41,622	126,647	(85,025)	(67.1%)
Other	(14,901)	249,337	(264,238)	(106.0%)
Total net non-operating gains	128,073	473,934	(345,861)	(73.0%)
Increase in Net Assets	200,253	1,027,576	(827,323)	(80.5%)
Net Assets - Beginning of year	12,163,260	11,135,684		
Net Assets - End of year	**$12,363,513**	**$12,163,260**		

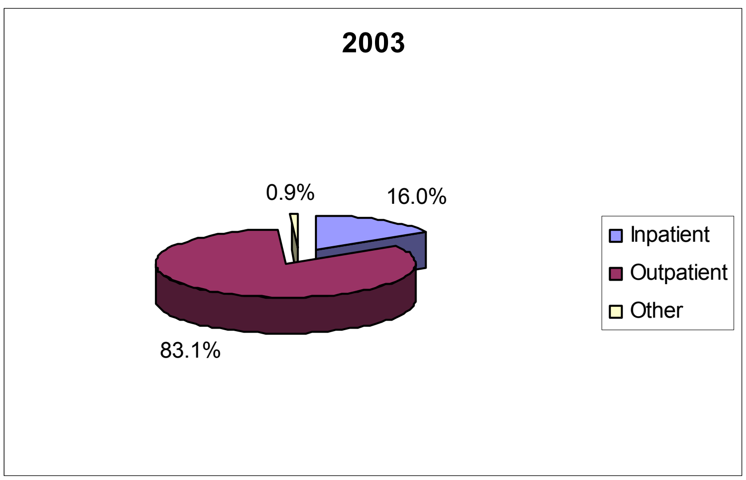
Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as inpatient services, outpatient services, physician offices, and the cafeteria. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased 3.3 percent. This was attributable to a 17.6 percent increase in outpatient revenues that was offset by a dramatic 24.1 percent decrease in inpatient revenues. Gross patient revenue is reduced by revenue deductions. These deductions are the amounts that are not paid to the Hospital under contractual arrangements primarily with Medicare, Medicaid, and Medical Mutual of Ohio. These revenue deductions increased from 19.4 to 22.9 percent as a percentage of gross revenue.

- The following is a graphic illustration of operating revenues by source:



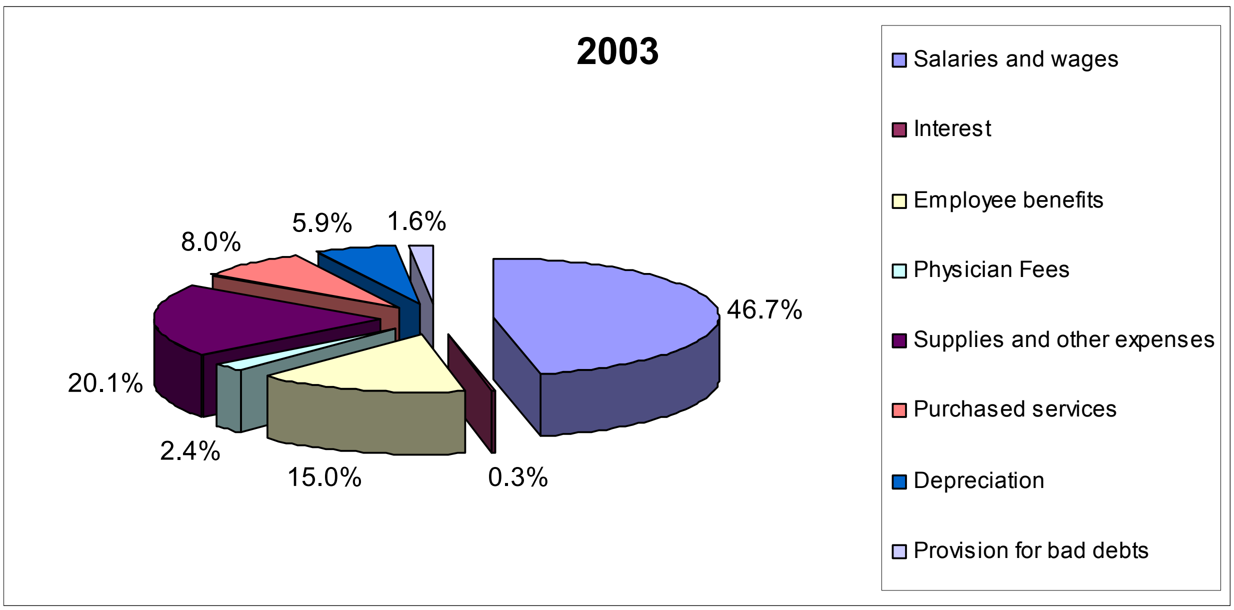
Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the services and primary purposes of the Hospital. The operating expense changes were the result of the following factors:

- Salary costs increased 7 percent due to converting from contract to employed physical therapy labor and increases to our physician base.

- Benefit costs increased 20 percent due to increases in self-funded health insurance claims paid by the Hospital for covered employees and Bureau of Workers Compensation premium increases.
- Bad debt expense decreased 45% due to decreases in the time it takes the Hospital to collect on accounts receivable.
- Physician fees increased by 32% as a result of adding a contracted surgery physician.

- The following is a graphic illustration of operating expenses by type:



Non-Operating Gains (Losses)

Non-operating gains and losses are all sources and uses that are primarily non-exchange in nature. They would consist primarily of investment income (including realized and unrealized gains and losses) and grants and contracts that do not require any services to be performed.

The category "Other," within Non-Operating Gains (Losses), consists of items that are typically nonrecurring, extraordinary, or unusual to the Hospital. Examples would be capital grants, additions to permanent endowments, and transfers from related entities.

There were two significant "Other" non-operating transactions. In 2002, there was a $241,561 recovery of income on our Oakwood Bank losses. In 2003, a non-collectible physician note in the amount of $254,223 was written off to expense.

Statement of Cash Flows

Another way to assess the financial health of a Hospital is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

	2003	2002	Increase (Decrease)
Cash provided (used) by:			
Operating and Non-Operating Activities	$ 962,935	$ 1,353,343	$ (390,408)
Investing Activities	400,078	479,176	(79,098)
Noncapital and Related Financing activities	41,622	126,647	(85,025)
Capital and Related Financing Activities	(1,087,595)	(1,479,506)	391,911
Net increase (decrease) in cash	317,040	479,660	(162,620)
Cash - Beginning of the year	4,041,039	3,561,379	479,660
Cash - End of year	**$ 4,358,079**	**$ 4,041,039**	**$ 317,040**

The Hospital's liquidity improved during the year. The following discussion amplifies the overview of cash flows presented above.

Cash provided by operating and non-operating activities decreased $390,408 over the prior year. This was largely due to the decrease in reimbursement from the Health Care Assurance Program (HCAP). Capital and related financing activities usage decreased as purchases of capital assets for construction of the planned Medical Office Building were delayed until 2004. Cash received from investing activities decreased as a result of lower interest rates.

Capital Asset and Debt Administration

Capital Assets – At December 31, 2003, the Hospital had $7.4 million invested in capital assets, net of accumulated depreciation of $10.8 million. Depreciation and amortization totaled $866,049 for the current year compared to $750,354 last year. Details of these assets for the past two years are shown below.

	2003	2002	Increase (Decrease)
Land	$ 30,609	$ 30,609	$ -
Land improvements	71,675	80,694	(9,019)
Buildings and improvements	5,538,735	5,784,253	(245,518)
Furniture, fixtures, and equipment	1,696,517	1,610,027	86,490
Construction in process	94,587	-	94,587
Total	**$ 7,432,123**	**$ 7,505,583**	**$ (73,460)**

Debt – At year-end, the Hospital had $922,118 in debt outstanding as compared to $1,164,417 the previous year. The table below summarizes these amounts by type of debt instrument:

	2003	2002	Increase (Decrease)
Lease Obligations	569,238	791,673	(222,435)
Note Payable	32,232	52,202	(19,970)
Compensated Absences	320,648	320,542	106
Long-Term Liabilities	**$ 922,118**	**$ 1,164,417**	**$ (242,299)**

In the past, the Hospital has been generally debt averse. In 2004, the Hospital will be incurring debt of $1,400,000 for construction of a Medical Office Building.

Economic Factors That Will Affect the Future

The economic position of Paulding County Hospital is closely tied to that of the local economy. As a result of the new Medicare prescription drug plan recently enacted by Congress, the Hospital will receive a 1.0 percent increase in reimbursement from Medicare next year, along with continued HCAP reimbursement. In addition, the Board of Directors approved an average increase of 3 percent in the charge structure for the upcoming fiscal year.

Contacting the Hospital's Management

This financial report is intended to provide our county and bondholders with a general overview of the hospital’s finances, and to show the hospital's accountability for the money it had received in the past. If you have questions about this report or need additional information, we welcome you to contact the Chief Financial Officer.

Robert L. Goshia, II
Chief Financial Officer

This page intentionally left blank.

PAULDING COUNTY HOSPITAL

BALANCE SHEET
DECEMBER 31, 2003

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 379,014
Patient Accounts Receivable	1,916,145
Notes Receivable, Current Portion	15,160
Inventories	380,795
Prepaid Expenses	145,086
Third Part Settlements	447,795
Other Receivables	84,970
Total Current Assets	3,368,965
Assets Limited as to Use:	4,006,487
Capital Assets, Net	7,432,123
Total Assets	**$ 14,807,575**
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Current Portion of Long-Term Debt	$ 271,974
Accounts Payable	676,779
Accrued Liabilities	1,165,813
Total Current Liabilities	2,114,566
Long-Term Debt, Net of Current Portion	329,496
Net Assets	
Invested in Capital assets - Net of Related Debt	6,830,653
Restricted:	
Expendable for education and Other Purposes	13,754
Unrestricted	5,519,106
Total net assets	12,363,513
Total liabilities and net assets	**$ 14,807,575**

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

Operating Revenues:	
Net Patient Service Revenue	$ 14,514,956
Other Revenue	170,425
Total Operating Revenues	14,685,381
Operating Expenses:	
Salaries and Wages	6,820,816
Employees Benefits	2,189,492
Professional Fees	350,056
Supplies and Other Expenses	2,936,663
Purchased Services	1,175,000
Depreciation	866,049
Interest	47,989
Provisions for Bad Debt	227,136
Total Operating Expenses	14,613,201
Income from Operations	72,180
Non-Operating Gains (Losses):	
Investment Income	101,303
Interest Earnings on Restricted Assets	49
Contributions	41,622
Other Non-Operating Losses	(14,901)
Total Net Non-Operating Gains	128,073
Increase in Net Assets	200,253
Net Assets - Beginning of Year	12,163,260
Net Assets - End of Year	**$12,363,513**

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, 2003

Cash Flows from Operating and Non-Operating Activities:	
Cash Received from Patients and Third Party Payers	$ 13,877,344
Cash Payments to Suppliers for Services and Goods	(4,063,097)
Cash Payments to Employees for Services	(8,984,161)
Other Operating Revenue (Loss) Received	132,849
Net Cashed Provided by Operating and Non-Operating Activities	962,935
Cash Flows from Investing Activities:	
Investment Income	79,618
Loss on uninsured investments	243,934
Advances to physicians - net of forgiveness	76,526
Net Cashed Provided by Investing Activities	400,078
Cash Flows from Noncapital and Related Financing Activities:	
Unrestricted Contributions Received	41,622
Cash Flows From Capital and Related Financing Activities:	
Purchase of Property and Equipment	(837,701)
Proceeds from Sale of Capital Assets	56,260
Interest Paid on Long-Term Debt	(47,989)
Principal Payments on Noted Payable	(19,970)
Principal Payments on Capital Leases	(238,195)
Net Cash Used for Capital and Related Financing Activities	(1,087,595)
Net Increase in Cash and Cash Equivalent	317,040
Cash and Cash Equivalent - Beginning of Year	4,041,039
Cash and Cash Equivalent - End of Year	**$4,358,079**
Balance Sheet Classification of Cash and Cash Equivalents:	
Current Assets - Cash and Cash Equivalents	379,014
Restricted Cash and Cash Equivalents	3,979,065
Total Cash and Cash Equivalents	4,358,079
Equipment Obtained Through Capital Lease	$ 15,760

(Continued)

PAULDING COUNTY HOSPITAL

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

Cash Flows from Operating Activities and Non-Operating Gains:

Income from Operations	$	72,180
Interest Expense Considered Capital Financing Activities		47,989
Adjustments to Reconcile Revenue and Gains in Excess of Expenses to Net Cash Provided by Operating Activities and Non-Operating Gains		
Depreciation		866,049
Provision for Bad Debt		227,136
Decrease (Increase) in Patient Accounts Receivable		(410,048)
Decrease (Increase) in Inventories		(51,924)
Decrease (Increase) in Prepaid Expenses and Other Receivables		(59,602)
Decrease (Increase) in Third-Party Settlements		(227,564)
Decrease (Increase) in Accounts Payable		224,297
Decrease (Increase) in Other Accrued Expenses		274,422
Net Cash Provided by Operating Activities and Non-Operating Gains	**$**	**962,935**

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Effective January 1, 2001, Paulding County Hospital, (the Hospital) became a 15-bed critical access hospital located in Paulding, Ohio. The Hospital operates under the authority of § 339, Ohio Revised Code, to provide inpatient, outpatient, and emergency care services for the residents of Paulding County, Ohio. A Board of Directors appointed by the County Commissioners, the Probate Judge, and the Judge of the Court of Common Pleas governs the Hospital. The Hospital is considered an enterprise fund of Paulding County, Ohio (County).

B. Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principals as prescribed by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* issued June 1999. The Hospital now follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provides comprehensive one-line look at the Hospital's financial activities. There was no impact to the net assets of the Hospital in adopting GASB No. 34. No component units are required to be reported in the Hospital's financial statements.

C. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly-liquid investments purchased with initial maturities of three months or less. Cash and cash equivalents included in assets limited as to use are not considered cash and cash equivalents for purposes of the statements of cash flows of general funds.

D. Accounts Receivable

Accounts receivable for patients, insurance companies and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical loss rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Hospital's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for uncollectible accounts in the period they are deemed to be uncollectible. The allowance for contractual adjustments and interim payment advances is based on expected payment rates from payers based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payers.

E. Inventories

Inventories, consisting primarily of medical supplies, food, and drugs, are valued at the lower of cost or market determined on a first-in, first-out (FIFO) basis.

F. Assets Limited as to Use

Assets limited as to use include assets set aside by the Hospital Board of Directors for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use also include assets restricted by contributors for education and other purposes of the home health department.

G. Capital Assets

Capital assets 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 and is computed on the straight-line method. Equipment under capital leases is amortized on the straight-in method over the useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Cost of maintenance and repairs are charged to expense when incurred.

H. Notes Receivable

Notes receivable represent loans to physicians under various cash flow support and loan arrangements. These loans are to be repaid in varying monthly installments including varying interest rates ranging from the minimum applicable federal rate to 8 percent and are unsecured. A majority of the physician notes receivable are forgiven over time under the terms specified in the physician loan agreement.

I. Compensated Absences

Paid time off is charged to operations when earned. The unused and earned benefits are recorded as a current liability in the financial statements. Employees accumulate vacation days at varying rates depending on years of service. Employees also earn sick leave benefits at a Hospital determined rate for all employees. Employees are not paid for accumulated sick leave if they leave prior to retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments equal to one-half of the accumulated balance calculated at the employee’s base pay rate as of the retirement date. Employees hired after June 8, 2001, are only eligible to receive payments on one-half of the accumulated sick leave balance up to a maximum of 240 hours.

J. Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use unrestricted resources before restricted resources.

K. Classification of Net Assets

Net assets of the Hospital are classified in four components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are non-capital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures. Restricted nonexpendable net assets equal the principal portion of permanent endowments. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

L. Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others. Retroactive adjustments to these estimated amounts are recorded in future periods as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

M. Income from Operations

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as non-operating gains or losses.

N. Investment Income

Investment income on board-designated funds (funded depreciation) and general funds are recorded as non-operating gains. Interest earnings on funds restricted by contributors are also recorded as non-operating gains.

O. 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 not reported as net patient service revenue.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Q. Pension Plan

Substantially all of the Hospital's employees are eligible to participate in a defined benefit pension plan sponsored by the Ohio Public Employees Retirement System (OPERS). The Hospital funds pension costs accrued based on contribution rates determined by OPERS.

R. Federal Income Tax

As a political subdivision, the Hospital is exempt from taxation under the Internal Revenue Code.

S. Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Hospital's deposits and investments are comprised of the following:

2003	Cash and Cash Equivalents	Assets Limited as to Use
Deposits	$ 379,014	
Certificates of Deposit		$ 3,979,065
Total	$ 379,014	$ 3,979,065

	2003
Amount of deposits reflected on the accounts of the bank (without recognition of checks written but yet not cleared or of deposits in transit).	$ 4,014,462
Amount of deposits covered by federal depository insurance	(613,754)
Amount of deposits uninsured	$ 3,400,708

Amounts of deposits not insured by federal depository insurance are collateralized by pools of securities pledged by the depository banks and held in the name of the respective bank.

NOTE 3 - PATIENT ACCOUNTS RECEIVABLE

The details of patient accounts receivable are set forth below:

	2003
Gross Patient Accounts Receivable	$ 3,214,471
Less Allowance For:	
Uncollectible Accounts	(631,019)
Contractual Adjustments	(667,307)
Patient Accounts Receivable, Net	$ 1,916,145

The Hospital provides services without collateral to its patients, most of whom are local residents and insured under third-party payer arrangements. The mix of receivables from patients and third-party payers is as follows:

	2003
Medicare	32%
Medicaid	11%
Blue Cross	10%
Patient Pay	19%
Other Third-Party Payers	28%
Total	100%

NOTE 4 - ASSETS LIMITED AS TO USE

The composition of these assets is described in Note 3B. The classifications and limited uses of these assets are described below:

	2003
Restricted by contributors for education and other purposes:	
Deposits in financial institutions	$ 13,754
Designated by Board for capital inprovements:	
Deposits in financial institutions	3,965,311
Accrued interest receivable	27,422
Total assets limited as to use	$ 4,006,487

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment is summarized at December 31, 2003, as follows:

	2002	Additions	Retirements	2003	Depreciable Life - Years
Land	$ 30,609			$ 30,609	Not Applicable
Land Improvements	163,553			163,553	5-25
Building and Improvements	9,462,106	$ 203,408	$ (9,751)	9,655,763	5-50
Fixed Equipment	1,455,292			1,455,292	5-20
Moveable Equipment	4,418,002	539,706	(145,041)	4,812,667	5-20
Moveable Equipment-Capital Leases	1,961,188	15,760		1,976,948	5
Construction in Process	-	94,587		94,587	
Total	17,490,750	853,461	(154,792)	18,189,419	
Less Accumulated Depreciation:					
Land				-	
Land Improvements	82,859	9,019		91,878	
Building and Improvements	3,677,853	446,650	(7,475)	4,117,028	
Fixed Equipment	1,449,660	1,198		1,450,858	
Moveable Equipment	4,004,870	245,285	(86,445)	4,163,710	
Moveable Equipment-Capital Leases	769,925	163,897		933,822	
Construction in Process				-	
Total	9,985,167	866,049	(93,920)	10,757,296	
Net Carrying Amount	$ 7,505,583	$ (12,588)	$ (60,872)	$ 7,432,123	

Construction in progress as of December 31, 2003 consisted of architect fees associated with the future construction of a medical office building.

NOTE 6 - LONG TERM DEBT

Long Term debt activity for the year ended December 31, 2003 as follows:

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
Leases and Note Payable:					
Lease Obligations	$ 791,673	$ 15,760	$ (238,195)	$ 569,238	$ 250,769
Note Payable	52,202	-	(19,970)	32,232	21,205
Total Leases and Notes Payable	843,875	15,760	(258,165)	601,470	271,974
Other Liabilities:					
Compensated Absences	320,542	416,262	(416,156)	320,648	320,648
Total Long-Term Liabilities	$ 1,164,417	$ 432,022	$ (674,321)	$ 922,118	$ 592,622

The Lease Obligations consist of three amounts summarized as follows:

- Capital lease payable over 60 months with monthly payments of $4,324, including interest at 5.75 percent, collateralized by equipment.
- Capital Lease Payable over 120 months with monthly payments of $18,385, including interest at 5.52 percent, collateralized by HVAC system.
- Capital Lease Payable over 60 months with monthly payments of $262.67, at 0 percent interest, collateralized by automobile.

The Note Payable is summarized below:

- Note Payable over 60 months with monthly payments of $1,881, including interest at 5.94 percent, collateralized by roof.

The following is a schedule by years of note principal and interest, and future minimum lease payments as of December 31, 2003:

	Note Payable	Note Interest	Leases Payable
2004	$ 21,205	$ 1,361	$ 275,651
2005	11,027	193	257,269
2006	-	-	55,037
2007	-	-	19,658
Total Payments	$ 32,232	$ 1,554	$ 607,615
Less Amount Representing Interest			(38,377)
Net Present Value			$ 569,238

The carrying value of equipment under capital lease obligations is as follows:

	2003
Cost of Equipment Under Capital Lease	$ 1,976,948
Less Accumulated Amortization	(933,822)
Net Carrying Amount	$ 1,043,126

NOTE 7 - ACCRUED LIABILITIES

The details of accrued liabilities as of December 31, 2003 are as follows:

	2003
Payroll and Related Amounts	$ 369,260
Compensated Absences (Note 6)	320,648
Workers Compensated Premiums	193,487
Health Insurance Claims (Note 13)	174,213
Other	108,205
Total Acrued Liabilities	$ 1,165,813

NOTE 8 - COST REPORT SETTLEMENTS

Approximately 51 percent of the Hospital’s revenues from patient services are received from the Medicare and Medicaid programs. The Hospital has agreements with these payers that provide for reimbursement 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. A summary of reimbursement with third-party payers follows.

Medicare - Effective January 1, 2001, the Hospital received full accreditation from the Center for Medicare and Medicaid Services for the Critical Access Hospital designation. As a Critical Access Hospital, the Hospital will receive reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries.

Medicaid - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid inpatients are paid on a cost-reimbursement method. The Hospital is reimbursed for outpatient services on an established fee-for-service methodology.

The Medicaid payment system in Ohio is a prospective one, whereby rates for the following state fiscal year beginning July 1 are based upon filed cost reports for the preceding calendar year. The continuity of this system is subject to the uncertainty of the fiscal health of the State of Ohio, which can directly impact future rates and the methodology currently in place. Any significant changes in rates, or the payment system itself, could have a material impact on the future Medicaid funding to providers.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

NOTE 9 - NET PATIENT SERVICE REVENUE

Net patient service revenue consists of the following:

	2003
Revenue:	
Inpatient Services:	
Routine Services	$ 652,706
Ancillary Services	2,393,090
Outpatient ancillary services	15,777,347
Total Patient Revenue	18,823,143
Less Contractual Adjustments Under Third-Party reimbursement Programs	(4,308,187)
Total Net Patient Service Revenue	$14,514,956

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan Description - The Hospital contributes to the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan(TP) - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a cost- sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and death benefits, annual cost of living adjustments, and post-retirement healthcare benefits to qualifying members of both the Traditional and the Combined Plans; however, healthcare benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Chapter 145 of the Ohio Revised Code assigns authority to establish and amend benefit provisions to the OPERS Board of Trustees. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6705 or 1-800-222-PERS (7377).

Funding Policy – The Ohio revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD, and CO), and are actuarially determined. The 2003 member contribution rate for members of local government units was 8.50 percent of their annual covered salary. The 2003 employer contribution rate for local government units was 13.55 percent of covered payroll. The Hospital's contributions to OPERS for the years ended December 31, 2003, 2002, 2001 were $924,584, $855,337, and $801,587, respectively. Required employer contributions for all plans are equal to 100 percent of employer charges and must be extracted from employer's records.

Post-Retirement Benefits – The Ohio Public Employees Retirement System provides post-retirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB), as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 and 2002 employer contribution rate for local government employer units was 13.55 percent of covered payroll. Of this amount, 5.0 percent was the portion that was used to fund health care during 2003 and 2002, respectively. The portion of the employer's contribution used to fund post-employment benefits for 2003 and 2002 was $341,171 and $315,619, respectively.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirements health care through their contributions to OPERS.

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation or investment assets annually. The investment return assumption rate for 2002 was 8.00 percent. An annual increase of 4.00 compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase were assumed to range from .50 percent to 6.30 percent. Health care costs were assumed to increase 4.00 percent annually. These assumptions and calculations are based on the system's latest Actuarial review performed as of December 31, 2002.

The number of active contributing participants in the Traditional and Combined Plans during 2003 was 364,881. As of December 31, 2002, the actuarial value of the Retirement System's net assets available for OPEB was $10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18.7 billion and $8.7 billion, respectively.

Health Care Plan – In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choice Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit.

The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS board, during 2003, considered extending "Choices" type of cost cutting measures to all active members and benefit recipients. As of December 31, 2003, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

NOTE 11 - RISK MANAGEMENT

The Hospital was insured against medical malpractice claims under an occurrence-based policy. The policy covers claims resulting from incidents that occurred during the policy terms, regardless of when the claims are reported to the insurance carrier. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claims exceeding $1,000,000 or aggregate claims exceeding $3,000,000 for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional $5,000,000 of coverage. These policies expired May 23, 2003, and were replaced by a claims-made policy, whereby only the claims reported during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claims exceeding $1,000,000 or aggregate claims exceeding $3,000,000 for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional $5,000,000 of coverage.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on the occurrences during the policy term, but reported subsequent to the policy term, will be uninsured.

While there is pending litigation against the Hospital, management is not aware of any such medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. The cost of this insurance policy represents the Hospital's cost for such claims for the year, and it has been charged to operations as a current expense. There have been no claims settled in the last three years that have exceeded insured limits.

NOTE 12 - DEFERRED COMPENSATION PLAN

All full-time employees of the Hospital may participate in a deferred compensation plan created by the State of Ohio under the provisions of the Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

Compensation assets deferred under a plan, all property and rights, and all income attributable to those amounts, property, or rights is held in trust at the state level for the benefit of the participants.

NOTE 13 - SELF-INSURANCE

The Hospital is partially self-insured under a plan covering all employees for employee health insurance. The plan is covered by a stop-loss policy that covers claims over $35,000 per employee or total claims in excess of $760,515. The plan policy year ends on December 31. Claims, charged to operations when incurred, were approximately $876,000 and $580,000 for the years ended December 31, 2003 and 2002 respectively.

Reconciliation of accrued health insurance at December 31, 2003, consists of the following:

Balance at January 1, 2003	$ 90,557
Health Insurance Expense	875,000
Payments made	(791,344)
Balance at December 31, 2003	$ 174,213

NOTE 14 - LOSS ON INVESTMENTS

At December 31, 2001, the Hospital maintained $1.48 million of investments at a local bank. In February 2002, it was discovered the bank was defrauded of most of its assets. The Hospital was only insured for $100,000 (FDIC) and was collateralized an additional amount totaling $95,620. Due to the uncertainty of recovering any of the funds beyond insured and collateralized amounts, the Hospital wrote down the uninsured portion of investments totaling $1.29 million in 2001. The Hospital has recovered the insured and collateralized amounts as of December 31, 2003, as well as an additional $491,338 of uninsured amounts, which were previously written down at December 31, 2001.

During 2003, the Hospital wrote-off the remaining portion of the long-term physician receivable, as these funds were determined to be uncollectible.

The details of other non-operating gains (losses) at December 31, 2003 are as follows:

	2003
Recovery on Uninsured Investments	$ 241,561
Write-off of Physician Receivable	(254,223)
Other	(2,239)
Total Other Non-Operating (Losses)	$ (14,901)

NOTE 15 - SUBSEQUENT EVENT

In January 2004, the Hospital entered into a loan agreement with The State Bank and Trust Company (Lender) for the purpose of constructing a medical office building. The Hospital is borrowing $1,400,000. As of the report date, the Hospital has not drawn any funds on the loan.

Repayment of the loan will occur in 120 monthly installments of principal and interest at the end of the construction period, which begins in April 2004 and ends in October 2004. Interest-only payments are due monthly during the construction period. The loan bears interest at a fixed rate of 3.13 percent.

Total cost of the project will be approximately $1,835,000, which will be funded by the loan, Board-designated assets, and operating funds. In January 2004, the Hospital signed an agreement with the general contractor for the construction of the medical office building.

This page intentionally left blank.

PAULDING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
Food Distribution Program	-	10.550	$ 1,517
National School Lunch Program	-	10.555	4,601
Total Child Nutrition Cluster			6,118
Total U.S. Department of Agriculture			**6,118**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Cluster:			
Special Education - Grants to States (Title VI-B)	066183-6BSF-02P	84.027	1,440
Special Education - Grants to States (Title VI-B)	066183-6BSF-03P		7,271
Special Education - Grants to States (Title VI-B)	006183-6BSF-04		1,701
Total			10,412
Invocation Education Program Strategies	066183-C231-2003	84.173	309
Invocation Education Program Strategies	066183-C231-2004		31
Total			340
Total Special Education Cluster			10,752
Total U.S. Department of Education			**10,752**
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Ohio Department of Emergency Management Disaster Assistance			
State Domestic Preparedness Equipment Support Grant - FY 1999	S03-JE99-63-0359	97.004	1,116
Emergency Management Performance Grants - Special Project	OH-03-019	97.042	8,612
Emergency Management Performance Grants - FY 2003	S03-FE03-63-0308	97.042	15,579
Total			24,191
FEMA FY 2002 Supplemental Planning Grant	S03-FS02-63-0151	97.051	22,915
Total U.S. Department of Homeland Security			**48,222**

(Continued)

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Ohio Department of Health			
Social Services Block Grant (Title XX)	-	93.667	28,923
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities			
Medical Assistance Program (Medicaid: Title XIX)	-	93.778	54,293
Passed Through Ohio Job and Family Services			
Child Welfare Subsidy (Title IV-B)	63-6010-03	93.645	18,031
Child Welfare Subsidy (Title IV-B)	63-6010-04	93.645	7,918
ESSA Family Preservation	63-6400-03	93.645	12,394
ESSA Family Preservation	63-6400-04	93.645	3,854
ESSA Family Reunification	63-6401-03	93.645	11,885
ESSA Family Reunification	63-6401-04	93.645	6,115
Total			60,197
Basic Child Abuse and Neglect	63-6020-03	93.669	2,000
Total U.S. Department of Health and Human Services			**145,413**
U.S. DEPARTMENT OF LABOR			
Passed Through Ohio Job and Family Services			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult		17.258	50,918
Workforce Investment Act - Adult Administration		17.258	126
Total			51,044
Workforce Investment Act - Youth		17.259	48,662
Workforce Investment Act - Youth Administration		17.259	929
Total			49,591
Workforce Investment Act - Dislocated Worker		17.260	9,025
Workforce Investment Act - Dislocated Worker Administration		17.260	392
Workforce Investment Act - Rapid Response		17.260	13,716
Workforce Investment Act - Rapid Response Administration		17.260	297
Total			23,430
Total U.S. Department of Labor - Workforce Investment Act Cluster			**124,065**

(Continued)

SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2003 (Continued)

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Ohio Engineer's Association			
Highway Planning and Construction	01N124	20.205	432,435
Total U.S. Department of Transportation			**432,435**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Home Investment Partnerships Program (Chip)	B-C-00-058-2	14.239	102,839
Passed Through Ohio Department of Development			
Community Development Block Grant (Chip)	B-C-02-058-1	14.228	61,350
Community Development Block Grant (Formula)	B-F-02-058-1	14.228	60,080
Community Development Block Grant - (Formula)	B-F-99-058-1	14.228	16,712
Community Development Block Grant - (Chip)	B-M-00-058-1	14.228	18,000
Total			156,142
Total U.S. Department of Housing and Urban Development			**258,981**
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Office of Criminal Justice Services			
Byrne Memorial: Homeland Security	01-DG-H01-7626	16.579	13,832
Victims of Crimes Act Grant	03SVAGENE325	16.575	25,708
Victims of Crimes Act Grant	03SVAGENE325	16.575	7,955
Total			33,663
Total U.S. Department of Justice			**47,495**
Total			**$ 1,073,481**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

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 - SUBRECIPIENTS

The County passes-through certain Federal assistance received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

NOTE C - 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, 2003, the gross amount of loans outstanding under this program was $700,892. .

NOTE D - 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.

NOTE E – U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

U.S. Department of Homeland Security Federal Awards

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of the other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards Paulding County (the County) previously received from other Federal agencies. The accompanying Federal Awards Expenditure Schedule reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed. A comparison of the former Federal agencies and CFDA numbers the County reported in its 2002 Federal Award Expenditure Schedule compared with the Department's CFDA numbers reported in the 2003 Schedule follows:

Previous Federal Agency	CFDA No. used In 2002	Homeland Security CFDA No. used for 2003
Department of Federal Emergency Management Diaster Assistance	83.552	97.042

This page intentionally left blank.

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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, 2003, and have issued our report thereon dated July 28, 2004, in which we noted that the County prepares its financial statements, except for the Paulding County Hospital, the County's 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, that our opinion on the Paulding County Hospital is based on the report of other auditors, and that the County reclassified the Juvenile Court Fund and the Sheriff's Reserve and Commissary Funds from Agency Funds to Special Revenue Funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated July 28, 2004.

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

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

financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 28, 2004.

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.

Betty Montgomery

Betty Montgomery
Auditor of State

July 28, 2004

Auditor of State
Betty Montgomery

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

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

To the Board of Commissioners:

Compliance

We have audited the compliance of Paulding County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. 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 July 28, 2004.

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

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, 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.

Betty Montgomery

Betty Montgomery
Auditor of State

July 28, 2004

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Highway Planning and Construction CFDA 20.205
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, with the exception of the Paulding County Hospital, the County prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to

**FINDING NUMBER 2003-001
(Continued)**

prepare annual reports in accordance with generally accepted accounting principles. With the exception of the Enterprise Fund Type, the accompanying financial statements and notes 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 2003-002

Finding for Recovery

Ohio Revised Code § 4503.03 requires all fees collected and retained by a clerk for conducting deputy registrar services to be paid into the county treasury.

From January 1, 2003 through June 10, 2003, the Paulding County License Bureau (the Bureau) used a cash register to record sales. In addition, the Bureau prepared certain documents that supported the collections received. Although, the Bureau destroyed all cash register tapes for that period, the Bureau still retained the supporting documents that substantiated each sales transaction that occurred. For this time period, the total of the Deputy 2000 computer system printout had to be added to the number of notarized forms and out of state inspections to determine the total daily collections. After June 10, 2003, the Bureau started using a point of sale (POS) computer system which the Clerks were supposed to record all transactions. The POS computer system was similar to a cash register since it recorded all daily receipts and could printout detailed and summarized transaction reports.

In comparing deposits to the amount collected for the period of January 1, 2003 to April 1, 2004, we determined the following shortages:

Calculation of Shortage	
Entire collections for June 10, 2003 that were not deposited	$ 289.50
Notary fees and out of state inspections collected but not deposited for 1/1/03-6/10/03	1,843.27
Amount posted to POS computer system but not deposited for the period 6/11/03 - 4/1/04	3,644.46
Out of State Inspections not entered into POS system and not deposited for 6/11/03 - 12/31/03	188.50
Sale of nuts and bolts not entered into POS system and not deposited for 6/11/03 - 4/1/04	110.03
Total Shortages for the period January 1, 2003 - April 1, 2004	**$ 6,075.76**

FINDING NUMBER 2003-002
(Continued)

In accordance with these facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money collected but unaccounted for, is hereby issued against Eleanor Edwards, Deputy Registrar, and her bonding company, Western Surety Company, and against Joyce Weck, former Manager, Allison Foust, Clerk, and Jamy Manson, Clerk and their bonding company, the County Risk Sharing Authority, jointly and severally, in favor of the Paulding County License Bureau Fund in the total amount of $6,075.76.

The License Bureau did not have procedures in place to monitor the processing of transactions and the depositing of receipts. This resulted in a loss of revenues without timely detection by management. We recommend the following procedures be implemented:

- Job descriptions should be written and reviewed with employees.
- The county ethics policy should be reviewed with employees.
- At the end of each work day, each employee should be required to print an operator end of day (EOD) report and balance to the amount on the report. The employee should determine the source of any variances and write a description of the error on the EOD report.
- The Supervisor should verify that the money from each drawer matches the end of day report for each employee.
- The Supervisor should balance total cash to the end of day deputy report and investigate any variances. Any variances should be documented in the Point of Sale (POS) computer system along with a detailed explanation of the variance.
- The Deputy Registrar should periodically verify that the end of day deputy report matches both the county pay-ins and the revenue ledger.

3. FINDING FOR FEDERAL AWARDS

None.

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2003-001	Ohio Administrative Code § 117-2-03(B) Not reporting on GAAP	No	Not corrected. Reissued as finding 2002-001. The County believes reporting on a basis of accounting other than GAAP is more cost efficient.
2003-002	Ohio Revised Code § 5705.42 Not recording money spent on the County's behalf	Yes	
2003-003	Ohio Revised Code § 5705.39 Appropriations exceeded estimated resources	No	Partially Corrected. This is reported in the Management Letter.
2003-004	Ohio Revised Code § 5705.40 Incorrectly posted appropriations	Yes	
2003-005	Ohio Revised Code § 5705.41(B) - Disbursements greater than appropriations	Yes	
2003-006	Reportable Condition on estimated resources not properly posted	Yes	
2003-007	Reportable Condition on misposting of transfers	Yes	
2003-008	Section 667.410 of the Federal Regulations – No subrecipient monitoring for WIA	Yes	Finding no longer valid since subrecipient relation no longer exists.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
AUGUST 31, 2004