



**VILLAGE OF PAULDING  
PAULDING COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005**



**Auditor of State  
Betty Montgomery**



VILLAGE OF PAULDING  
PAULDING COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Mayor, Administrator, Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

May 30, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Mayor, Administrator, and Village Council:

We have audited the accompanying financial statements of the Village of Paulding, Paulding County, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Paulding, Paulding County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

May 30, 2006



**VILLAGE OF PAULDING  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$162,746	\$312,988	\$118,424		\$594,158
State Shared Taxes and Permits	463,281				463,281
Special Assessments	1,151				1,151
Intergovernmental Receipts	67,099	263,629	14,289		345,017
Charges for Services	17,915	142,804			160,719
Fines, Licenses, and Permits	27,537	4,226		\$7,686	39,449
Earnings on Investments	38,633	1,237			39,870
Miscellaneous	15,412	13,781			29,193
	<u>793,774</u>	<u>738,665</u>	<u>132,713</u>	<u>7,686</u>	<u>1,672,838</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	58,670	393,021			451,691
Public Health Services	18,119	70			18,189
Leisure Time Activities	35,181	72,002			107,183
Community Environment	4,810				4,810
Basic Utility Services	8,162				8,162
Transportation	14,185	88,885			103,070
General Government	195,800				195,800
Debt Service:					
Principal Payments			670,000		670,000
Interest Payments			24,067		24,067
Capital Outlay	3,452	255,184		17,714	276,350
	<u>338,379</u>	<u>809,162</u>	<u>694,067</u>	<u>17,714</u>	<u>1,859,322</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>455,395</u>	<u>(70,497)</u>	<u>(561,354)</u>	<u>(10,028)</u>	<u>(186,484)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Notes			570,000		570,000
Transfers-In		50,000			50,000
Transfers-Out	(363,984)				(363,984)
	<u>(363,984)</u>	<u>50,000</u>	<u>570,000</u>		<u>256,016</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	91,411	(20,497)	8,646	(10,028)	69,532
Fund Cash Balances, January 1	533,575	716,495	62,581	26,562	1,339,213
<b>Fund Cash Balances, December 31</b>	<u><b>\$624,986</b></u>	<u><b>\$695,998</b></u>	<u><b>\$71,227</b></u>	<u><b>\$16,534</b></u>	<u><b>\$1,408,745</b></u>
Reserves for Encumbrances, December 31	<u>\$48,442</u>	<u>\$16,126</u>			<u>\$64,568</u>

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$818,515		\$57,500	\$876,015
Fines, Licenses, and Permits	1,358		14,559	15,917
Miscellaneous	57,173	\$2	10,213	67,388
Total Operating Cash Receipts	877,046	2	82,272	959,320
<b>Operating Cash Disbursements:</b>				
Personal Services	512,577		85,149	597,726
General Government			3,352	3,352
Contractual Services	284,922			284,922
Supplies and Materials	73,485	20		73,505
Capital Outlay	191,715			191,715
Total Operating Cash Disbursements	1,062,699	20	88,501	1,151,220
Operating Loss	(185,653)	(18)	(6,229)	(191,900)
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts			9,000	9,000
Proceeds from Notes	620,000			620,000
Other Non-Operating Receipts	88,566		5,443	94,009
Total Non-Operating Cash Receipts	708,566		14,443	723,009
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	628,857			628,857
Other Non-Operating Cash Disbursements	88,276		11,207	99,483
Total Non-Operating Cash Disbursements	717,133		11,207	728,340
Excess of Cash Receipts Under Cash Disbursements Before Interfund Transfers	(194,220)	(18)	(2,993)	(197,231)
Transfers-In	313,984			313,984
Net Cash Receipts Over/(Under) Cash Disbursements	119,764	(18)	(2,993)	116,753
Fund Cash Balances, January 1	406,033	1,631	16,139	423,803
<b>Fund Cash Balances, December 31</b>	<b>\$525,797</b>	<b>\$1,613</b>	<b>\$13,146</b>	<b>\$540,556</b>
Reserve for Encumbrances, December 31	\$154,862		\$470	\$155,332

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$154,265	\$288,592	\$110,161		\$553,018
Municipal Income Taxes	439,161				439,161
Special Assessments	1,056				1,056
Intergovernmental Receipts	93,743	212,699	13,200		319,642
Charges for Services	11,307	122,789			134,096
Fines, Licenses, and Permits	26,749	6,358		\$13,347	46,454
Earnings on Investments	12,349	1,231		7	13,587
Miscellaneous	12,789	9,492		2,780	25,061
	<u>751,419</u>	<u>641,161</u>	<u>123,361</u>	<u>16,134</u>	<u>1,532,075</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	53,602	402,889			456,491
Public Health Services	10,996				10,996
Leisure Time Activities	24,305	80,951			105,256
Community Environment	7,429				7,429
Basic Utility Services	3,524	222			3,746
Transportation	6,707	87,691			94,398
General Government	190,872				190,872
Debt Service:					
Principal Payments		11,561	790,000	2,944	804,505
Interest Payments			18,807		18,807
Financing and Other Debt-Service Related				1,900	1,900
Capital Outlay	31,960	43,341		14,931	90,232
	<u>329,395</u>	<u>626,655</u>	<u>808,807</u>	<u>19,775</u>	<u>1,784,632</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>422,024</u>	<u>14,506</u>	<u>(685,446)</u>	<u>(3,641)</u>	<u>(252,557)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Notes			670,000		670,000
Transfers-In		60,000			60,000
Transfers-Out	(356,666)				(356,666)
Other Uses	(46,504)				(46,504)
	<u>(403,170)</u>	<u>60,000</u>	<u>670,000</u>		<u>326,830</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	18,854	74,506	(15,446)	(3,641)	74,273
Fund Cash Balances, January 1	514,721	641,989	78,027	30,203	1,264,940
<b>Fund Cash Balances, December 31</b>	<u><b>\$533,575</b></u>	<u><b>\$716,495</b></u>	<u><b>\$62,581</b></u>	<u><b>\$26,562</b></u>	<u><b>\$1,339,213</b></u>
Reserves for Encumbrances, December 31	<u>\$14,016</u>	<u>\$215,025</u>			<u>\$229,041</u>

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency		
<b>Operating Cash Receipts:</b>					
Charges for Services	\$828,476		\$59,288		\$887,764
Fines, Licenses, and Permits	2,288		23,017		\$25,305
Miscellaneous	42,839	\$2	2,507		45,348
Total Operating Cash Receipts	<u>873,603</u>	<u>2</u>	<u>84,812</u>		<u>958,417</u>
<b>Operating Cash Disbursements:</b>					
Personal Services	478,461		37,944		516,405
General Government			4,723		4,723
Contractual Services	294,658				294,658
Supplies and Materials	42,860	20			42,880
Capital Outlay	388,925		13,551		402,476
Total Operating Cash Disbursements	<u>1,204,904</u>	<u>20</u>	<u>56,218</u>		<u>1,261,142</u>
Operating Income/(Loss)	<u>(331,301)</u>	<u>(18)</u>	<u>28,594</u>		<u>(302,725)</u>
<b>Non-Operating Cash Receipts:</b>					
Intergovernmental Receipts	56,139		500		56,639
Proceeds from Notes	510,000				510,000
Other Non-Operating Receipts	188,460		75,926		264,386
Total Non-Operating Cash Receipts	<u>754,599</u>		<u>76,426</u>		<u>831,025</u>
<b>Non-Operating Cash Disbursements:</b>					
Debt Service	755,666		75,014		830,680
Other Non-Operating Cash Disbursements	188,444		18,294		206,738
Total Non-Operating Cash Disbursements	<u>944,110</u>		<u>93,308</u>		<u>1,037,418</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(520,812)	(18)	11,712		(509,118)
Transfers-In	296,666				296,666
Net Cash Receipts Over/(Under) Cash Disbursements	(224,146)	(18)	11,712		(212,452)
Fund Cash Balances, January 1	630,179	1,649	4,427		636,255
<b>Fund Cash Balances, December 31</b>	<b><u>\$406,033</u></b>	<b><u>\$1,631</u></b>	<b><u>\$16,139</u></b>		<b><u>\$423,803</u></b>
Reserve for Encumbrances, December 31	<u>\$127,204</u>		<u>\$15,505</u>		<u>\$142,709</u>

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of States prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

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

**3. Debt Service Fund**

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

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

**4. Capital Project Funds**

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

Capital Improvements – This fund is used to pay for improvements made to the Village's parks through transfers from the General Fund.

**5. Enterprise Funds**

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

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

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

**6. Fiduciary Funds (Trust and Agency Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court Fund – This fund receives fine money generated by the Village Mayor's Court. Fine money is disbursed to the Village Police fund, Mayor's Court Computer fund, the State Treasurer, and other appropriate agencies.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Paulding Community Fire Association Fund – This fund is used to account for the activities of the Paulding Community Fire Association for which the Village serves as fiscal agent.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	2005	2004
Cash on Hand	\$500	\$500
Demand deposits	538,556	337,120
Certificates of deposit	1,410,245	1,425,396
Total deposits	\$1,949,301	\$1,763,016

Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$751,421	\$793,774	\$42,353
Special Revenue	701,161	788,665	87,504
Debt Service	123,361	702,713	579,352
Capital Projects	239,934	7,686	(232,248)
Enterprise	2,102,030	1,899,596	(202,434)
Fiduciary	2	2	
Total	\$3,917,909	\$4,192,436	\$274,527

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$938,016	\$750,805	\$187,211
Special Revenue	1,324,875	825,288	499,587
Debt Service	186,000	694,067	(508,067)
Capital Projects	258,800	17,714	241,086
Enterprise	2,326,504	1,934,694	391,810
Fiduciary	150	20	130
Total	\$5,034,345	\$4,222,588	\$811,757



**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$748,960	\$751,419	\$2,459
Special Revenue	746,032	701,161	(44,871)
Debt Service	121,119	793,361	672,242
Capital Projects	8,591	16,134	7,543
Enterprise	1,486,592	1,924,868	438,276
Fiduciary	5	2	(3)
Total	\$3,111,299	\$4,186,945	\$1,075,646

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$948,772	\$746,581	\$202,191
Special Revenue	1,061,061	841,680	219,381
Debt Service	186,000	808,807	(622,807)
Capital Projects	37,000	19,775	17,225
Enterprise	2,125,079	2,276,218	(151,139)
Fiduciary	200	20	180
Total	\$4,358,112	\$4,693,081	(\$334,969)

Contrary to Ohio law, appropriations exceeded actual and estimated amounts available for appropriations in the Police Pension, Mayor's Court Computer, County Permissive Tax, EMS Contract, Rehab Program, Water, Multiple Street Improvement and Water Tower funds during 2005 and the Police Pension, Mayor's Court Computer, Pool Improvement, Water Capital Improvement, County Permissive Tax and Sewer Capital Improvement funds during 2004. In addition, actual expenditures exceeded appropriations in the Pool Bond Levy, Water Capital Improvements and Sewer Capital Improvements funds during 2005 and 2004.

**4. PROPERTY TAX**

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

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. LOCAL INCOME TAX**

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

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

**6. DEBT**

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$308,567	4.50%
Ohio Water Development Authority Loan	502,097	6.03 - 6.35%
Bond Anticipation Notes	1,190,000	4.00 - 4.15%
Total	<u>\$2,000,664</u>	

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

The Ohio Water Development Authority (OWDA) loans were entered into as cooperative agreements for the construction, maintenance, and operation of water and sewer development projects. Loan #4020, which had its first installment due January 1, 1997, will be repaid in semiannual installments of \$1,467, including interest, over 20 years. Loan #3367, which had its first installment due January 1, 2003, will be repaid in semiannual installments of \$30,171, including interest, over 15 years.

The Village issued several bond anticipation notes for such projects as improving the water treatment plant; Gasser Road water and sewer improvements; Village water and sewer improvements; renovating and improving the Village's swimming pool. The bond anticipation notes are one year renewals with a maturity dates of May 25 and September 14, 2006, and an interest rate of 4.00 to 4.15 percent.

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. DEBT – (Continued)**

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OPWC Loans</u>	<u>OWDA Loans</u>	<u>Bond Anticipation Notes</u>
2006	\$42,866	\$63,276	\$1,238,455
2007	42,866	63,276	
2008	42,866	63,276	
2009	42,866	63,276	
2010	42,866	63,276	
2011-2016	163,607	316,380	
2017		61,808	
Total	<u>\$377,937</u>	<u>\$694,568</u>	<u>\$1,238,455</u>

In addition to the debt described above, the Village, as fiscal agent for the Paulding Community Fire Association (PCFA), is responsible for handling the repayment of a loan used to pay for the purchase of a fire truck. A loan was entered into to pay two Member Township's portion of the fire truck purchase amount. The loan was for the amount of \$28,588 at an interest rate of 4.29% will mature on November 24, 2009. This loan is repaid from the PCFA Fund (an agency fund) from payments received from the two townships.

**7. VILLAGE LEASES**

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

Future minimum lease payments are scheduled as follows:

<u>Year Ending December 31:</u>	<u>Leases</u>
2006	\$25,137
2007	12,459
2008	4,842
2009	2,942
2010	2,942
2011-2015	1,962
Total	<u>\$50,284</u>

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**8. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**9. RISK MANAGEMENT**

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

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2004 and 2003 (the latest information available):

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	<u>(3,424,271)</u>	<u>(3,653,152)</u>
Accumulated deficit	<u>(\$1,034,121)</u>	<u>(\$1,841,812)</u>



**Auditor of State  
Betty Montgomery**

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

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

To the Mayor, Administrator, and Village Council:

We have audited the financial statements of the Village of Paulding, Paulding County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 30, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider 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 Village'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 2005-004.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated May 30, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-003. In a separate letter to the Village's management dated May 30, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the finance committee, management, and Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

May 30, 2006

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-001  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response**

The purchase orders utilized by the Village possess the "Then & Now" statement which will be completed by the Finance Director when necessary.

**FINDING NUMBER 2005-002**

Ohio Revised Code § 5705.36(A)(2) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Revised Code § 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Additionally, Ohio Revised Code § 5705.39 states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures as certified by the budget commission or in case of appeal, by the board of tax appeals.

In 2005, the Fire Levy fund had appropriations (\$45,000) in excess of the total estimated resources available (\$33,547). There were sufficient actual resources to increase the estimated resources

The Treasurer should have requested an amended certificate of estimated resources from the commission to increase the estimated resources to the current level of appropriations.

In addition, the following funds had actual amounts available for appropriations and/or the amounts estimated in the official certificate less than the current level of appropriations.



**FINDING NUMBER 2005-002  
 (Continued)**

	<u>Actual Resources</u>	<u>Estimated Resources</u>	<u>Total Appropriations</u>
<b>FY 2005</b>			
Police Pension	14,427	13,425	15,000
Mayors Court: Computer	9,685	10,140	12,000
County Permissive Tax	17,034	(17,094)	17,500
EMS Contract	146,250	140,601	175,000
Rehab Program	5,376	5,334	20,000
Water	495,078	496,480	541,000
Multiple Street Improvement		223,800	223,800
Water Tower		523,300	523,300
<b>FY 2004</b>			
Police Pension	13,340	13,100	15,000
Mayors Court: Computer	11,362	10,486	12,000
Pool Improvement	7,844	7,874	12,000
Water Capital Improvement	523,157	333,903	550,000
County Permissive Tax	266	17,766	17,500
Sewer Capital Improvement	306,758	374,065	335,000

The Treasurer should have requested an amended certificate of estimated resources from the commission to decrease the estimated resources to the level of actual resources. The appropriations should also have been reduced to level of actual resources.

We recommend that Treasurer compare actual revenues with estimated revenues during the year and make changes when necessary.

**Officials' Response**

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

**FINDING NUMBER 2005-003**

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures which exceeded appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b><u>2005</u></b>			
Pool Bond Levy Fund	\$186,000	\$694,067	(\$508,067)
Water Capital Improvements Fund	431,509	653,384	(221,875)
Sewer Capital Improvements Fund	165,000	266,868	(101,868)
<b><u>2004</u></b>			
Pool Bond Levy Fund	186,000	808,807	(622,807)
Water Capital Improvements Fund	610,106	769,668	(159,562)
Sewer Capital Improvements Fund	338,845	410,386	(71,541)

**FINDING NUMBER 2005-003  
(Continued)**

Management was advised that the failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures exceeding available resources, further resulting in deficit spending practices.

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials' Response**

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

**FINDING NUMBER 2005-004**

**Reportable Condition – Pool Revenues**

In an entity the size of Village of Paulding, it may not be cost effective to implement all the suggested internal controls to provide management with reasonable assurance that all related procedures are functioning properly. There should, however, be controls in place to assure management that all revenues due the Village are being properly collected.

To strengthen internal accounting controls over revenues derived from the Village pool, the following should be implemented:

- Use of a numbered pass system so that the passes sold can be tracked. Information to be included would be the pass number, the date issued along with the expiration date, and the customer purchasing the pass along with people to be covered by the pass.
- A system to track daily paid admittance (those not covered by a pass). Preferably, this would be some type of ticketing, with separate tickets used for children and adults. (gate admittance should be able to be recalculated to verify the gate receipts)
- A system to track concession revenues. If a cash register is not an option, a manual system could be implemented to track the number of items sold at each price level. Like gate admittance, concession revenues should be able to be recalculated.

In addition, this information should be turned in to the Clerk's office along the bank deposit slip, so the results can be recalculated and any discrepancies promptly investigated.

**Officials' Response**

The Village will be instituting the following controls for the 2006 pool season:

- Pre-numbered passes will be used and a spreadsheet will be completed indicating to whom each pass was issued and the names of each person covered by each pass.
- The pool will be keeping a headcount tracking daily ticket sales.
- Surprise cash counts will be performed throughout the summer.
- The pool has purchased a cash register to track concession stand revenues and inventory.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	ORC § 5705.39 – Appropriations greater than estimated resources	No	Not Corrected – Reissued as Finding 2005-002.
2003-002	ORC § 5705.41 (B) – Expenditures exceeded appropriations	No	Not Corrected – Reissued as Finding 2005-003.
2003-003	Pool Revenues	No	Not Corrected – Reissued as Finding 2005-004.





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF PAULDING**

**PAULDING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 27, 2006**