



Mary Taylor, CPA
Auditor of State

PAULDING COUNTY

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Mary Taylor, CPA

Auditor of State

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 the governmental activities, each major fund, and the aggregate remaining fund information of Paulding County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions 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 opinions.

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

The financial statements do not include financial data for the Paulding County Hospital, the County's legally separate blended component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported as a business type activity with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that includes the component unit's financial data. The County has not issued such reporting entity financial statements. As a result, the basic statements omit the assets, liabilities, net assets, revenues and expenditures of the business-type activities and major fund statements for the Paulding County Hospital.

In our opinion, because of the omission of the financial statements for the business-type activity, as discussed above, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 2, the financial position of the business-type activities or major enterprise funds of Paulding County, Ohio, as of December 31, 2008 and its changes in cash financial position for the year then ended.

Finally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle Gasoline Tax, and Mental Retardation/ Developmental Disabilities Board Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2009, 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 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

August 24, 2009

**FINANCIAL CONDITION
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

The discussion and analysis of Paulding County's (the County) financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2008 are as follows:

- In total, net assets decreased \$2,146,033 which represents a 23.2% decrease over fiscal year 2007.
- The 2008 general fund revenue exceeded expenditures by \$33,362 which represents a 3.4% increase over fiscal year 2007. The 2008 general fund beginning cash balance was \$975,865 whereas the ending cash balance was \$1,009,227.
- The County's major funds included the General, Motor Vehicle Gasoline Tax, Jail Debt Service, Mental Retardation Development Disabilities (MRDD) funds.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's cash basis of accounting.

The annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the County as a financial whole, or as an entire operating entity.

Report Components

The statement of net assets- cash basis and the statement of activities- cash basis provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds, with all other non-major funds presented in total in a single column. For the County, the General Fund is the most significant fund. The County's major funds are the General, Motor Vehicle Gasoline Tax, Jail Debt Service, and Mental Retardation Development Disabilities (MRDD) funds.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The County has elected to present its financial statements on a cash basis of accounting. The County uses the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the County's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**FINANCIAL CONDITION
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Using the Basic Financial Statements (Continued)

Basis of Accounting (Continued)

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the County as Whole

Statement of Net Assets and Statement of Activities

The statement of net assets- cash basis and statement of activities- cash basis reflect how the County did financially during fiscal year 2008. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the County's net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the County as a whole, the cash basis financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements; therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

These statements report the County's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the County's financial health. Over time, increases or decreases in the County's cash position is one indicator of whether the County's financial health is improving or deteriorating. When evaluating the County's financial condition, you should also consider other non financial factors as well such as the County's property tax base, the condition of the County's capital assets and infrastructure, the extent of the County's debt obligations, the reliance on non-local financial resources for operations.

In the statement of net assets- cash basis and the statement of activities- cash basis, the County discloses a single type of activity, governmental activities. All of the County's programs and services are reported here, which include legislative, executive and judicial general government, public safety, public works, health, and human services. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**FINANCIAL CONDITION
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Reporting the County's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into Governmental funds and Fiduciary funds.

Fund financial statements provide detailed information about the County's major funds. While the County uses many funds to account for its financial transactions, the fund financial statement focus is on the County's most significant funds. The County's major funds are the General, Motor Vehicle Gasoline Tax, Jail Debt Service, and Mental Retardation Development Disabilities (MRDD) funds.

Governmental Funds

Most of the County's activities are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs. Since the County is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances; therefore, no reconciliation is necessary between such financial statements. Differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities –Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities –Cash Basis.

The County's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General Fund and all annually budgeted major special revenue funds are presented to demonstrate the County's compliance with annually adopted budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County's only fiduciary funds are agency funds. Only the cash held at year end for the agency funds are reported.

Notes to the Financial Statements

The notes provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements.

**FINANCIAL CONDITION
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the County as a whole.

Table 1 provides a summary of the County's net assets for 2008 compared to the prior year.

**Table 1
Net Assets- Cash Basis
Governmental Activities**

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 7,088,537</u>	<u>\$ 9,234,570</u>
 <u>Net Assets</u>		
Restricted	6,079,310	8,258,705
Unrestricted	<u>1,009,227</u>	<u>975,865</u>
 Total Net Assets	 <u>\$ 7,088,537</u>	 <u>\$ 9,234,570</u>

Net cash assets of governmental activities decreased \$2,146,033 which represents a 23.2% decrease over fiscal year 2007. The decrease of net assets is the result of reducing debt in 2008, a decrease in state and federal grant funding and property tax collections. Total cash disbursements also decreased by \$891,673.

**FINANCIAL CONDITION
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Government-Wide Financial Analysis (Continued)

Table 2 reflects the changes in net assets from the prior fiscal year.

Table 2	Change in Net Cash Assets	
	Governmental Activities 2008	Governmental Activities 2007
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$2,091,548	\$2,089,634
Operating Grants and Contributions	7,860,067	7,544,407
Capital Grants and Contributions	542,416	1,044,629
Total Program Cash Receipts	10,494,031	10,678,670
General Cash Receipts:		
Property Taxes	2,571,483	2,758,137
Sales Tax	1,614,476	1,575,609
Unrestricted Grants	458,106	565,054
Proceeds from Sale of Notes	3,217,327	5,661,190
Interest Receipts	408,228	496,280
Miscellaneous	913,923	1,150,541
Total General Cash Receipts	9,183,543	12,206,811
Total Cash Receipts	19,677,574	22,885,481
Cash Disbursements:		
General Government	2,891,817	2,678,360
Public Safety	2,305,898	2,366,268
Public Works	3,437,658	4,605,801
Health	2,105,938	1,906,425
Human Services	3,032,505	3,045,430
Miscellaneous	671,919	819,572
Capital Outlay	1,309,132	1,790,006
Debt Service:		
Principal Retirement	5,775,994	5,225,845
Interest and Fiscal Charges	292,746	277,573
Total Cash Disbursements	21,823,607	22,715,280
Change in Net Cash Assets	(2,146,033)	170,201
Net Cash Assets at Beginning of Year	9,234,570	9,064,369
Net Cash Assets at End of Year	\$ 7,088,537	\$ 9,234,570

**FINANCIAL CONDITION
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Government-Wide Financial Analysis (Continued)

The County program, Public Works, accounted for \$3,437,658 or 15.75% of total governmental cash disbursements. Public Works programs relate to betterment of county roads and related infrastructure. Public Works programs were supported by \$4,211,831 in direct charges to users, operating grants and contributions and capital grants and contributions.

Principal retirements accounted for \$5,775,994 or 26.47% of total governmental cash disbursements. Principal retirements primarily represent the rollover and re-issuance of bond anticipation notes (BANs) relating to the construction of the County Jail. Principal retirements are supported entirely by general revenues.

Capital Outlay accounted for \$1,309,132 or 6.0% of total governmental cash disbursements. The County's new jail facility was completed which contributed to the decrease of the capital outlay disbursements.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2008. It identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Table 3
Governmental Activities- Cash Basis

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash Disbursements:				
General Government	\$2,891,817	\$2,678,360	\$1,419,989	\$1,280,995
Public Safety	2,305,898	2,366,268	2,223,987	2,241,804
Public Works	3,437,658	4,605,801	(774,173)	262,775
Health	2,105,938	1,906,425	1,039,997	915,059
Human Services	3,032,505	3,045,430	327,841	271,509
Miscellaneous	671,919	819,572	291,945	383,157
Capital Outlay	1,309,132	1,790,006	731,250	1,177,893
Debt Service:				
Principal Retirement	5,775,994	5,225,845	5,775,994	5,225,845
Interest and Fiscal Charges	292,746	277,573	292,746	277,573
Total Cash Disbursements	<u>\$21,823,607</u>	<u>\$22,715,280</u>	<u>\$11,329,576</u>	<u>\$12,036,610</u>

The dependence upon general cash receipts for governmental activities is apparent; with 52.0% of cash disbursements supported through taxes and other general cash receipts during 2008.

**FINANCIAL CONDITION
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The County's governmental funds are accounted for using the cash basis of accounting.

The County's governmental funds reported a combined fund cash balance of \$7,088,537, which is \$2,146,033 below last year's total of \$9,234,570. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2008 and December 31, 2007, for all major and non-major governmental funds.

	Fund Cash Balance at <u>12/31/08</u>	Fund Cash Balance at <u>12/31/07</u>	Increase <u>(Decrease)</u>
Major Funds:			
General	\$1,009,227	\$975,865	\$33,362
Motor Vehicle Gasoline Tax	1,279,240	603,887	675,353
Jail Debt Service	18,615	1,999,521	(1,980,906)
MRDD	1,012,135	922,707	89,428
Other Nonmajor Governmental Funds	<u>3,769,320</u>	<u>4,732,590</u>	<u>(963,270)</u>
Total	<u>\$7,088,537</u>	<u>\$9,234,570</u>	<u>(\$2,146,033)</u>

The General Fund is the main operating fund of the County. At the end of 2008, receipts of \$4,200,547 and disbursements and other financing uses of \$4,167,185 resulted in an increase of \$33,362 to General Fund unreserved fund balance. The increase was a result of realizing an increase in sales tax, fines and forfeitures and intergovernmental receipts, while holding expenditures at 2007 levels.

The Motor Vehicle Gasoline Tax Fund reported \$3,808,502 revenues from gasoline tax, motor vehicle registration fees and other revenues with \$3,133,149 expended for road and bridge repairs, maintenance and debt principal payments. This resulted in an increase of \$675,353 in the Motor Vehicle Gasoline Tax unreserved fund balance. The increase in fund balance was due to the county decreasing the amount spent for county roads and related infrastructure.

The Mental Retardation Developmental Disabilities Board fund reported \$2,188,309 in revenue and disbursements and other financing uses of \$2,098,881 resulted in an increase of \$89,428 to the fund balance. The increase is primarily due to an increase of state and federal grant funding.

**FINANCIAL CONDITION
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Financial Analysis of the Government's Funds (Continued)

The Jail Debt Service Fund was created to remit payments due for the debt related to the construction of the new jail facility. The jail construction bond anticipation notes are due on September 9, 2009. The County receives proceeds from a tax levy to finance the payment of the bond anticipation notes.

General Fund Budgetary Highlights

The County's appropriations are prepared according to Ohio law and are based on accounting for transactions on the basis of cash receipts, disbursements and encumbrances. The general fund is the most significant budgeted fund.

During each fiscal year the general fund budget is revised as needs arise. Records of the revisions are found in the Commissioners' Journals.

Changes in estimated receipts and appropriations from original to final budget were not significant. Actual revenues and disbursements did not significantly differ from the final budget. The county kept spending close to budgeted amounts as demonstrated by the minor reported variances.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$1,309,132.

Debt Administration

The County had the following long-term debt obligations outstanding at December 31, 2008:

	Governmental Activities
Hospital Improvement Bonds	<u>\$1,575,000</u>
Ohio Public Works Commission Loans	170,855
Ohio Department of Transportation SIB Loan	<u>104,247</u>
Total Long-term Obligations	<u><u>\$1,850,102</u></u>

In addition, the County has general obligation and bond anticipation notes outstanding in the amounts of \$1,146,334 and \$1,991,000 respectively.

**FINANCIAL CONDITION
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Economic Factors to be considered for the Future

Under the state of Ohio's Amended Substitute House Bill 66, personal property tax revenue will be phased out over a period of four years beginning with 2005. The loss of personal property tax revenue is having a negative impact on the general fund.

The voters of Paulding County approved a bond issue in 2006 and, along with a Bureau of Adult Detention grant, allowed for the financing of the construction of the new county jail. The new jail opened in 2007, however; a jail operating levy was not renewed by the voters and expired in tax year 2006 with collections ending in 2007. The expiration of the jail operating levy greatly increased the financial burden on the general fund. It soon became very evident that the general fund alone could not financially support the new jail facility. The County Commissioners chose to go to the voters for an additional (new) county current expense levy in November of 2008; this levy was also voted down. The decision was made to close the jail facility with the jail being officially closed in November of 2008. The jail closure caused the lay-off of 12 full-time and four part-time employees. Although wages decreased, unemployment costs have increased due to the lay-offs. Prisoners are now transported to Van Wert County for housing.

The Paulding County Hospital is a county owned, tax-exempt not-for-profit corporation that operates a general hospital, emergency room, and physician's services. The hospital is governed by a board of directors appointed by the County Commissioners and the two Common Pleas judges. The hospital employs a Chief Financial Officer and prepares its own annual financial report, which is audited by a private accounting firm. Although the hospital is part of the Paulding County reporting unit, the Commissioners have opted to exclude its financial activity from the County's financial report.

Requests for Information

This financial report is designed to provide a general overview of Paulding County's finances for all those with an interest in county finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Susan K. Simpson, Paulding County Auditor at 115 N. Williams Street, Suite 110, Paulding, Ohio 45879-1284.

FINANCIAL CONDITION
 PAULDING COUNTY
 Statement of Net Assets - Cash Basis
 As of December 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Equity in pooled cash and investments	<u>\$ 7,088,537</u>
 NET ASSETS	
Restricted for:	
Debt service	\$ 151,408
Capital projects	389,191
Other purposes	5,538,711
Unrestricted	<u>1,009,227</u>
Total net assets	<u>\$ 7,088,537</u>

See accompanying notes to basic financial statements

FINANCIAL CONDITION
PAULDING COUNTY
Statement of Activities - Cash Basis
For the year ended December 31, 2008

GOVERNMENTAL ACTIVITIES	Cash Disbursements	Program Cash Receipts			Net (Cash Disbursements) and Cash Receipt: and Changes in Net Cash Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
EXPENDITURES					
General government					
Legislative and executive	\$ 1,945,088	\$ 975,872	\$ 4,450		\$ (964,766)
Judicial	946,729	320,438	171,068		(455,223)
Public safety	2,305,898	18,984	62,927		(2,223,987)
Public works	3,437,658	193,034	3,476,381	\$ 542,416	774,173
Health	2,105,938	63,899	1,002,042		(1,039,997)
Human services	3,032,505	133,785	2,570,879		(327,841)
Miscellaneous	671,919	355,099	24,875		(291,945)
Capital outlay	1,309,132	30,437	547,445		(731,250)
Debt service					
Principal retirement	5,775,994				(5,775,994)
Interest charges	292,746				(292,746)
Total governmental activities	\$ 21,823,607	\$ 2,091,548	\$ 7,860,067	\$ 542,416	\$ (11,329,576)
General cash receipts and transfers					
Property taxes levied for:					
					\$ 932,791
					952,841
					316,655
					357,585
					11,611
					1,614,476
Sales taxes					
					458,106
Grants and entitlements not restricted					
					3,217,327
specific programs					
					408,228
Proceeds from sale of notes					
					913,923
Interest receipts					
Miscellaneous					
					9,183,543
Total General Cash Receipts					
					(2,146,033)
Change in Net Cash Assets					
					9,234,570
Net Cash Assets at Beginning of Year					
					\$ 7,088,537
Net Cash Assets at End of Year					

See accompanying notes to basic financial statements

FINANCIAL CONDITION
 PAULDING COUNTY
 Statement of Assets and Fund Cash Balance - Governmental Funds
 As of December 31, 2008

	<u>General Fund</u>	<u>Gas Tax Fund</u>	<u>Jail Debt Service Fund</u>	<u>Mental Retardation Developmental Disabilities Board</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Equity in pooled cash and investments	<u>\$ 1,009,227</u>	<u>\$ 1,279,240</u>	<u>\$ 18,615</u>	<u>\$ 1,012,135</u>	<u>\$ 3,769,320</u>	<u>\$ 7,088,537</u>
NET ASSETS						
Unreserved, Undesignated, Reported In:						
General fund	\$ 1,009,227					\$ 1,009,227
Special revenue funds		\$ 1,279,240		\$ 1,012,135	\$ 3,247,336	5,538,711
Debt service funds			\$ 18,615		132,793	151,408
Capital project funds					389,191	389,191
Total net assets	<u>\$ 1,009,227</u>	<u>\$ 1,279,240</u>	<u>\$ 18,615</u>	<u>\$ 1,012,135</u>	<u>\$ 3,769,320</u>	<u>\$ 7,088,537</u>

See accompanying notes to basic financial statements

FINANCIAL CONDITION
PAULDING COUNTY
Statement of Cash Receipts, Cash Disbursements and Changes
in Fund Cash Balances - Governmental Funds - Cash Basis
For the year ended December 31, 2008

	General Fund	Motor Vehicle Gasoline Tax	Jail Debt Service Fund	Mental Retardation Developmental Disabilities Board	Other Governmental Funds	Total Governmental Funds
Cash Receipts						
Property taxes	\$ 932,791		\$ 197,633	\$ 952,841	\$ 488,218	\$ 2,571,483
Sales taxes	1,614,476					1,614,476
Special Assessments					311,656	311,656
Charges for service	520,918	\$ 153,576			613,991	1,288,485
Licenses and permits	1,150				63,302	64,452
Fines and forfeitures	194,033	39,458			180,553	414,044
Intergovernmental	458,106	3,476,381	29,208	1,198,716	3,698,178	8,860,589
Interest	353,314	22,155			32,759	408,228
Other	125,759	116,932		36,752	647,391	926,834
Total cash receipts	4,200,547	3,808,502	226,841	2,188,309	6,036,048	16,460,247
Cash Disbursements						
General government						
Legislative and executive	1,403,374		7,438	36,046	498,230	1,945,088
Judicial	619,538				327,191	946,729
Public safety	1,350,592				955,306	2,305,898
Public works	56,904	3,115,737			265,017	3,437,658
Health	15,324			2,048,789	41,825	2,105,938
Human services	142,946				2,889,559	3,032,505
Miscellaneous	184,446		13,906		252,717	451,069
Capital outlay	63,643				1,245,489	1,309,132
Debt service						
Principal		17,412	3,545,813		2,212,769	5,775,994
Interest			137,090		155,656	292,746
Total cash disbursements	3,836,767	3,133,149	3,704,247	2,084,835	8,843,759	21,602,757
Excess (deficiency) of cash receipts over (under) cash disbursements	363,780	675,353	(3,477,406)	103,474	(2,807,711)	(5,142,510)
Other Financing Sources (Uses)						
Other Uses	(220,850)					(220,850)
Transfers in					127,963	127,963
Transfers out	(109,568)			(14,046)	(4,349)	(127,963)
Proceeds from sale of notes			1,496,500		1,720,827	3,217,327
Total other financing sources (uses)	(330,418)	-	1,496,500	(14,046)	1,844,441	2,996,477
Net change in fund balance - cash basis	33,362	675,353	(1,980,906)	89,428	(963,270)	(2,146,033)
Fund balance - cash basis, January 1	975,865	603,887	1,999,521	922,707	4,732,590	9,234,570
Fund balance - cash basis, December 31	<u>\$ 1,009,227</u>	<u>\$ 1,279,240</u>	<u>\$ 18,615</u>	<u>\$ 1,012,135</u>	<u>\$ 3,769,320</u>	<u>\$ 7,088,537</u>

See accompanying notes to basic financial statements

FINANCIAL CONDITION
PAULDING COUNTY
Statement of Cash Receipts, Cash Disbursements and Changes
in Fund Cash Balances Governmental Funds - Cash Basis
(Budgetary Basis)
For the year ended December 31, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Cash Receipts				
Taxes, property	\$ 970,000	\$ 1,020,522	\$ 932,791	\$ (87,731)
Taxes, sales and use	1,585,472	1,585,400	1,614,476	29,076
Charges for service	865,800	494,800	520,918	26,118
Licenses and permits	2,000	2,000	1,150	(850)
Fines and forfeitures	200,000	200,000	194,033	(5,967)
Intergovernmental	533,954	464,504	458,106	(6,398)
Interest	200	390,200	353,314	(36,886)
Other	102,000	127,000	125,759	(1,241)
Total cash receipts	<u>4,259,426</u>	<u>4,284,426</u>	<u>4,200,547</u>	<u>(83,879)</u>
Cash Disbursements				
General government				
Legislative and executive	1,356,465	1,447,841	1,403,374	44,467
Judicial	671,004	681,047	619,538	61,509
Public safety	1,379,891	1,329,784	1,350,592	(20,808)
Public works	56,955	56,955	56,904	51
Health	10,000	15,324	15,324	
Human services	146,240	147,568	142,946	4,622
Miscellaneous	381,301	413,727	184,446	229,281
Capital outlay	115,366	105,018	63,643	41,375
Total cash disbursements	<u>4,117,222</u>	<u>4,197,264</u>	<u>3,836,767</u>	<u>360,497</u>
Excess of cash receipts over cash disbursements	<u>142,204</u>	<u>87,162</u>	<u>363,780</u>	<u>276,618</u>
Other Financing Uses				
Other Uses			(220,850)	(220,850)
Transfers out	(167,376)	(153,698)	(109,568)	44,130
Total other financing uses	<u>(167,376)</u>	<u>(153,698)</u>	<u>(330,418)</u>	<u>(176,720)</u>
Net change in fund balance - cash basis	(25,172)	(66,536)	33,362	99,898
Fund balance - cash basis, January 1	<u>975,865</u>	<u>975,865</u>	<u>975,865</u>	
Fund balance - cash basis, December 31	<u>\$ 950,693</u>	<u>\$ 909,329</u>	<u>\$ 1,009,227</u>	<u>\$ 99,898</u>

See accompanying notes to basic financial statements

FINANCIAL CONDITION
 PAULDING COUNTY
 Statement of Cash Receipts, Cash Disbursements and Changes
 in Fund Cash Balances Governmental Funds - Cash Basis
 (Budgetary Basis)
 For the year ended December 31, 2008

	Motor Vehicle Gasoline Tax Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Cash Receipts				
Charges for service			\$ 153,576	\$ 153,576
Fines and forfeitures	\$ 35,000	\$ 35,000	39,458	4,458
Intergovernmental	3,550,000	3,550,000	3,476,381	(73,619)
Interest			22,155	22,155
Other	300,000	300,000	116,932	(183,068)
Total cash receipts	<u>3,885,000</u>	<u>3,885,000</u>	<u>3,808,502</u>	<u>(76,498)</u>
Cash Disbursements				
Public works	3,963,785	4,174,785	3,115,737	1,059,048
Debt service				
Principal	17,413	17,413	17,412	1
Total cash disbursements	<u>3,981,198</u>	<u>4,192,198</u>	<u>3,133,149</u>	<u>1,059,049</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(96,198)</u>	<u>(307,198)</u>	<u>675,353</u>	<u>982,551</u>
Net change in fund balance - cash basis	(96,198)	(307,198)	675,353	982,551
Fund balance - cash basis, January 1	<u>603,887</u>	<u>603,887</u>	<u>603,887</u>	
Fund balance - cash basis, December 31	<u>\$ 507,689</u>	<u>\$ 296,689</u>	<u>\$ 1,279,240</u>	<u>\$ 982,551</u>

See accompanying notes to basic financial statements

FINANCIAL CONDITION
PAULDING COUNTY
Statement of Cash Receipts, Cash Disbursements and Changes
in Fund Cash Balances Governmental Funds - Cash Basis
(Budgetary Basis)
For the year ended December 31, 2008

	<u>Mental Retardation/Developmental Disabilities Board</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Cash Receipts				
Property taxes	\$ 1,061,210	\$ 1,061,210	\$ 952,841	\$ (108,369)
Intergovernmental	987,289	987,289	1,198,716	211,427
Other	32,200	32,200	36,752	4,552
Total cash receipts	<u>2,080,699</u>	<u>2,080,699</u>	<u>2,188,309</u>	<u>107,610</u>
Cash Disbursements				
General government				
Legislative and executive			36,046	(36,046)
Health	2,253,733	2,375,303	2,048,789	326,514
Total cash disbursements	<u>2,253,733</u>	<u>2,375,303</u>	<u>2,084,835</u>	<u>290,468</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(173,034)</u>	<u>(294,604)</u>	<u>103,474</u>	<u>398,078</u>
Other Financing Uses				
Transfers out	<u>(10,000)</u>	<u>(15,000)</u>	<u>(14,046)</u>	<u>954</u>
Net change in fund balance - cash basis	(183,034)	(309,604)	89,428	399,032
Fund balance - cash basis, January 1	<u>922,707</u>	<u>922,707</u>	<u>922,707</u>	
Fund balance - cash basis, December 31	<u>\$ 739,673</u>	<u>\$ 613,103</u>	<u>\$ 1,012,135</u>	<u>\$ 399,032</u>

See accompanying notes to basic financial statements

FINANCIAL CONDITION
PAULDING COUNTY OHIO
Statement of Fiduciary Net Assets - Cash Basis
As of December 31, 2008

	<u>Agency Funds</u>
ASSETS	
Equity in pooled cash and investments	\$ 1,835,837
Equity in outside accounts	<u>164,463</u>
Total assets	<u><u>\$ 2,000,300</u></u>
Total net assets	<u><u>\$ 2,000,300</u></u>

See accompanying notes to basic financial statements

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**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Paulding County Ohio (the County) is a political body 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 and serving for four year terms. 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 Judge, Probate/Juvenile Court Judge, and the County Court Judge. Although each of the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and chief administrator of public services for the County.

Reporting Entity

The County utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity. The reporting entity is comprised of the primary government and component units that are included to ensure that the financial statements of the County are not misleading.

The primary government of Paulding County consists of all funds, departments, boards and agencies that are not legally separate from the County and are directly operated by elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County if the County approves the budget, the issuance of debt, or the levying of taxes. The County has one component unit, the Paulding County Hospital.

The Paulding County Hospital (the Hospital) operates under the authority of Section 339, Ohio Revised Code. It is governed by a Board of Trustees appointed by the County Commissioners, the Probate Judge and the Common Pleas Court Judge of Paulding County. The Hospital is not considered legally separate from the County and for financial reporting purposes should be 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, and consequently, has been excluded from these financial statements.

As the custodian of public funds, the County Treasurer invests all public monies on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

- Paulding County Health Department
- Paulding County Soil and Water Conservation District
- Paulding County Law Library
- Paulding County Economic Development
- Paulding County Family and Children First Council

The County is associated with certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools or Related Organizations. These entities are excluded from the financial statements because the County is not financially accountable for these organizations, nor are they entities for which the County approves the budget, the issuance of debt, or the levying of taxes:

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

Maumee Valley Planning Organization
Tri-County Mental Health Board
West Central Partnership, Inc.
Antwerp Community Improvement Corporation
Community Improvement Corporation of Paulding
Four County Solid Waste District
P.C. Workshop, Inc.
County Risk Sharing Authority (See note 8)
Paulding County Carnegie Library

Maumee Valley Planning Organization is a jointly governed organization between Defiance, Fulton, Henry, Paulding and Williams counties and their respective townships. Its purpose is to act as a joint regional planning commission to write and administer state and federal grants and assist with housing rehabilitation. The 15 member governing board includes one County Commissioner from each member county. The main source of revenue is fees charged to administer grants and a per capita amount from each county. In 2008, the County paid administrative fees of \$104,478 to the organization.

Tri-County Alcohol, Drug Addiction and Mental Health Board of Mercer, Paulding and Van Wert counties is a jointly governed organization that provides leadership in planning for and supporting community based alcohol, drug addiction and mental health services in each member county. The governing board consists of 18 members of which 10 are appointed by the County Commissioners of Mercer, Paulding and Van Wert counties in the same proportion as the county's population bears to the total population of the three counties combined. During 2008, a tax levy produced \$171,780 for the operations of the organization.

West Central Partnership, Inc. is a jointly governed not-for-profit organization among Allen, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties with the purpose of administering local loan programs from the State of Ohio Department of Development. Its nine-member Board of Trustees consists of a County Commissioner from each member county.

Community Improvement Corporation of Antwerp and Paulding Community Improvement Corporation are jointly governed organizations representing the Village of Antwerp and Paulding County and its townships, and the Village of Paulding, respectively. Their purpose is to promote and encourage the establishment and growth of industrial, commercial and research facilities within member subdivisions. Their governing boards consist of approximately two-fifths public elected officials.

Four County Solid Waste District is a joint venture between Defiance, Fulton, Paulding and Williams counties for the purpose of making waste disposal in the four county area more comprehensive in terms of recycling, incinerating and land filling. Its governing board consists of three commissioners from each member county. Financial records are maintained by the Williams County auditor. The district's sole revenue source is a waste disposal fee. The County received \$100,500 from the District in 2008 to administer its local solid waste reduction program.

P.C. Workshop, Inc. is a related not-for-profit organization, with a self-appointing Board of Directors, organized to provide sheltered employment opportunities for mentally retarded and developmentally disabled persons in Paulding County. The County provides building space and administrative staff to the organization that was valued at \$159,972 for 2008. The entity issues stand alone financial statements that may be obtained by writing to P.C. Workshop, Inc., 900 West Caroline Street, Paulding, Ohio 45879.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

Paulding County Carnegie Library is a distinct political subdivision of the state of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Paulding County Court of Common Pleas. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the County for operational subsidies. Although the County does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Paulding County Carnegie Library, Wilma Mullins, Clerk/Treasurer, at 205 South Main Street, Paulding, Ohio 45879-1492

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

Since fiscal year 2004, the County has implemented the provisions of GASB 34 for financial reporting on a cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles, and GASB 38, for certain financial statement note disclosures. The implementation of these standards did not result in any changes to the County's financial statements. The County's basic financial statements consist of government-wide statements, including a statement of net cash and a statement of activities, and fund financial statements that provide a more detailed level of information.

Government-wide Financial Statements

The statement of net assets and the statement of activities - cash basis display information about the County as a whole. These statements include the financial activity of the primary government, except for fiduciary funds.

The statement of net assets - cash basis presents the cash basis financial condition of governmental activities of the County at year end. The statement of activities - cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the County. The comparison of direct cash disbursements with program cash receipts

identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the County.

Fund Financial Statements

The County routinely segregates transactions related to certain County functions or activities into separate funds in order to aid financial management or to demonstrate legal compliance. Fund financial statements are designed to report detailed information about the County at the fund level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. FUND ACCOUNTING

The County's accounts are maintained in the form of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific County functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts. The fund types maintained by the County are as follows:

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (Continued)

Governmental Funds – Funds financed primarily from taxes, inter-governmental receipts (e.g. grants) and other non-exchange transactions are classified as governmental funds. Major Governmental Funds include:

General Fund – The general fund is the general operating fund of the County and is used for all financial resources except those required to be accounted for in a separate fund. The General Fund is available to the County for any purpose provided it is expended or transferred according to Ohio law.

Motor Vehicle Gasoline Tax Fund – This fund accounts for monies received from state gasoline taxes designated for maintenance and repair of roads and bridges.

Mental Retardation Development Disabilities Fund – This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and state grants.

Jail Debt Service Fund – This fund accounts for funds being used for the debt service of an adult detention facility constructed by the County.

Fiduciary Funds – Fiduciary funds account for cash and investments where the County is acting as trustee or fiscal agent for another entity. Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four categories: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's only fiduciary funds are agency funds which account for monies held for other governments and undistributed assets.

C. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the County chooses to prepare its financial statements and notes on a cash basis of receipts and disbursements. The cash receipts and disbursements basis of accounting is a comprehensive basis of accounting other than GAAP. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case the GASB pronouncement prevails. 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 disbursements when a commitment is made (i.e. when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in this paragraph.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

D. CASH RECEIPTS – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

In an exchange transaction, each party gives and receives essentially equal value. Cash receipts and revenue from such transactions are recorded in the year in which the cash is received. In non-exchange transactions, the County receives value without directly giving equal value in return, such as property taxes, grants, entitlements and donations. On a cash basis, receipts and revenues from property taxes are recorded in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

E. CASH DISBURSEMENTS

On the cash basis of accounting, disbursements and expenses are recognized at the time payment is made.

F. 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 resolutions 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.

Since they represent a temporary cash flow resource intended to be repaid, advances in and advances out are not required to be budgeted.

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.

Estimated Resources

The County Budget Commission certifies its actions to the County of September 1. As part of this certification, the County receives the official certificate of estimated resources stating 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. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts set forth in the financial statements represent estimates from the amended certificate in force at the time the final appropriations were passed by the Commissioners.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

. BUDGETARY PROCESS (Continued)

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, and object level for all funds. Appropriations may not exceed estimated resources.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted during the year. The budget figures appearing in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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 re-appropriated at the beginning of the subsequent year.

G. POOLED CASH AND INVESTMENTS

To improve cash management, cash received by the County is pooled and invested. Monies for all funds are maintained in this pool, with the limited exception of monies held separately from the County treasury by various departments and officials. Individual fund integrity is maintained through County accounting records. Interest in the pool is presented as "equity in pooled cash and investments".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sale of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2008, investments of the County Treasurer were limited to government securities, STAR Ohio, and certificates of deposit. These investments are reported at cost in these financial statements, except for Star Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investments purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. POOLED CASH AND INVESTMENTS (Continued)

Investment procedures are restricted by the applicable provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 was \$353,314, of which \$307,184 was assigned from other County funds.

H. INVENTORY AND PREPAID ITEMS

On the cash basis of accounting, inventories of supplies are reported as disbursements (current period expenses) when paid.

I. CAPITAL ASSETS

Acquisitions of property, plant and equipment are recorded as disbursements (current period expenses) when paid. These items are not reflected as assets in the accompanying financial statements.

J. INTERFUNDS RECEIVABLES/PAYABLES

The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

K. COMPENSATED ABSENCES

In certain circumstances involving leaving employment, employees of the County are entitled to cash payments for accumulated unused leave. Unpaid leave is not reflected as a liability under the cash basis of accounting and as such is not reflected in the accompanying financial statements.

L. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health benefits.

M. LONG-TERM OBLIGATIONS

Bonds and other long-term obligations are not recognized as liabilities in these financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal and interest payments.

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, no transactions are recorded at lease inception. Lease payments are reported when paid.

N. NET ASSETS

Net assets are reported as restricted when enabling legislation or creditors or laws or regulations of other governments have imposed limits on their use. The County first applies restricted resources when a disbursement is incurred for purpose for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. At December 31, 2008 there were no amounts restricted by enabling legislation.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ((Continued)

O. INTERFUND ACTIVITY

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are treated as reductions of expenditures rather than as revenues.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis of accounting and the cash basis of accounting is that outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balances (cash basis). There were no encumbrances outstanding at year end (budgetary basis).

NOTE 4 – EQUITY IN CASH EQUIVALENTS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable upon demand or in money market deposit accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the County Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

- A. 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 and interest by the United States.
- B. 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.
- C. 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.
- D. 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.
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 4 – EQUITY IN CASH EQUIVALENTS AND INVESTMENTS (Continued)

- F. No-load money market 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.
- G. The State Treasurer's investment pool (STAROhio).
- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either security described in division (1) or (2) or cash or both securities and cash, equal value for equal value.
- I. High-grade commercial paper in an amount not to exceed five percent of the County's total average portfolio.
- J. 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 purposes 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.

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 County Treasurer, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash On Hand

At December 31, 2008, the County had \$6,047 of undeposited cash on hand, which is included on the statement of net assets of the County as part of cash equivalents.

Deposits

At December 31, 2008, the carrying amount of all County bank deposits was \$4,375,072.

Custodial credit risk for bank deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2008, \$978,753 of the County's bank balances of \$4,851,702 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by pledging financial institution's trust department or agent, but not in the County's name.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 4 – EQUITY IN CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments

At December 31, 2008, the County had the following investments:

<u>Investment Type</u>	<u>Cost Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>over 24 months</u>
Federal Home Loan Mortgage Corporation Notes	\$ 488,840		\$ 238,965	\$ 249,875		
Federal National Mortgage Association Notes	699,938			699,938		
Federal Home Loan Bank	1,456,367	\$ 499,713	707,357	249,297		
Treasury Bills	247,726	247,726				
STAROhio	1,312,766	1,312,766				
Federal Farm Credit Bank	502,081					\$ 502,081
Total Investments	\$ 4,707,718	\$ 2,060,205	\$ 946,322	\$ 1,199,110		\$ 502,081

Risks

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the federal agency securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the County’s name. The County has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to delivery of the securities represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.

Interest Rate Risk – For an investment, interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The County has no investment policy dealing with interest rate risks beyond the requirements of State statutes limiting investments by type and maturity. State statutes requires that an investment mature within five years from the date of purchase, unless matched with a specific obligation or debt of the County and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 4 – EQUITY IN CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk – The federal agency securities carry a rating of AAA by Moody’s. STAROhio carries a rating of AAA by Standard and Poor’s. The County has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Risk – The County has no investment policy dealing with concentration of credit risk beyond the requirements of State statutes. Ohio law limits investments in commercial paper and bankers’ acceptances to 25% of the interim monies available for investment at any one time. The following table indicates the percentage of investments in the County’s portfolio held with various issuers:

	<u>Cost Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Mortgage Corporation	\$ 488,840	10.4%
Federal National Mortgage Association	699,938	14.9%
Federal Home Loan Bank	1,456,367	30.9%
Federal Farm Credit Bank	502,081	10.7%
Treasury Bills	247,726	5.3%

NOTE 5 – PROPERTY TAX

Real property taxes are levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35% of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Public utility tangible personal property currently is assessed at varying percentages of true value. Public utility real property is assessed at 35% of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2008 with real property taxes.

2008 tangible personal property taxes are levied on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are 12.50 % of true value of capital assets and inventory.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 5 – PROPERTY TAX (Continued)

Tangible personal property taxes paid by a multi-county taxpayer are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

Ohio House Bill 66, which became effective July 1, 2005, made changes to the property taxation structure. The bill eliminated the 10% rollback on most real property used in business (the 10% rollback remains for residential and agricultural real property). In addition, the tangible personal property tax will begin a four year phase-out starting in the tax year 2006 and ending with no tax due in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reportable in 2006 and subsequent years is not subject to tangible personal property taxation.

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.

The full tax rate applied to real property for the fiscal year ended December 31, 2008 was \$11.21 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$9.68 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$9.87 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. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$ 240,655,060
Commercial/Industrial	31,316,910
Public utilities	<u>316,050</u>
Total real property	<u>272,288,020</u>
Tangible Personal Property-2007 Valuation	
General	14,213,172
Public utility	<u>23,784,080</u>
Total tangible personal property	<u>37,997,252</u>
Total Valuation	<u><u>\$ 310,285,272</u></u>

The County Auditor reappraises all real property every six years with a triennial update. The last triennial update was completed for tax year 2007 and the reappraisal was completed for tax year 2004.

NOTE 6 – PERMISSIVE SALES AND USE TAX

In 1984, the County Commissioners by resolution imposed a one percent tax on all retail sales made in the County, and on the storage use, or consumption in the County of tangible personal property, including automobiles, and renewed a resolution to levy an additional one-half percent for permissive sales and use tax.

The State Tax Commissioner certifies to the State Auditor the amount of tax to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Permissive sales and use tax revenue for 2008 was \$1,614,476.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 7 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the County contracted with County Risk Sharing Authority (CORSA), a risk sharing pool, for liability, property and crime insurance. CORSA, a non-profit corporation is sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property and casualty and crime insurance coverage for its members. The CORSA program has a \$2,500 deductible. CORSA provided coverage as follows:

<u>Property</u>		
Building and Contents		Replacement Cost
Valuable Papers		\$1,000,000
Extra Expense		\$1,000,000
Electronic Data Processing		Replacement Cost
Contractors Equipment		Actual Cash Value
Inland Marine		Actual Cash Value
Motortruck Cargo		\$100,000
Flood and Earthquake	\$100,000,000	Aggregate Pool Limit
Auto Physical Damage		Actual Cash Value
Automatic Acquisition		\$5,000,000
Boiler and Machinery	\$100,000,000	Each Accident
<u>Liability</u>		
Automobile Liability	\$1,000,000	Each Occurrence
Uninsured/Underinsured Motorists	\$250,000	Each Occurrence
General Liability	\$1,000,000	Each Occurrence
Stop Gap Liability	\$1,000,000	Each Occurrence
Law Enforcement Liability	\$1,000,000	Any One Claim
Errors and Omissions Liability	\$1,000,000	Annual Aggregate
Medical Professional Liability	\$6,000,000	Each Occurrence
<u>Crime</u>		
Employee Dishonesty/Faithful Performance	\$1,000,000	Each Loss
Money and Securities (inside)	\$1,000,000	Each Loss

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 7 - RISK MANAGEMENT (Continued)

A. PROPERTY AND LIABILITY (Continued)

With the exceptions of health insurance, life insurance, and workers' compensation, all insurance is held in CORSA. The County pays all elected officials' bonds by statute.

CORSA reported the following summary of actuarially measured liabilities and assets available to pay those liabilities as of April 30 (CORSA's fiscal year end):

	<u>2008</u>	(as stated) <u>2007</u>
Cash and Investments	\$71,747,176	\$70,058,193
Actuarial Liabilities	\$28,221,939	\$23,720,000

B. WORKERS COMPENSATION GROUP RATING PROGRAM

For 2008, the County participated in the County Commissioners' Association Organization Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool.

The Program is intended to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. In order to allocate the savings derived by formation of the Program and to maximize the number of participants in the Program, annually the Program's executive committee calculates the total savings which accrued to the Program through its formation. This savings is then compared to the overall savings percentage of the Program.

The Program's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Program is limited to counties that can meet the Program's selection criteria. The firm of Comp. Management, Inc. provided administrative, cost control and actuarial services to the Program. Each year, the County pays an enrollment fee to the Program to cover the costs of administering the Program.

The County may withdraw from the Program if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation; however, prior to withdrawal, any participant leaving the Program allows representatives of the Program to access loss experience for three years following the last year of participation.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans,

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only in the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The County's contribution rate for pension benefits for 2008 was 14 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were \$441,952, \$582,435 and \$589,163 respectively; 100 percent has been contributed for 2008, 2007, and 2006.

B. STATE TEACHERS RETIREMENT SYSTEM

The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended December 31, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its

B. STATE TEACHERS RETIREMENT SYSTEM (Continued)

consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the fiscal years ended December 2008, 2007, and 2006, were \$6,103, \$3,939, and \$6,584, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

NOTE 9 - POST EMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including the postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00 percent of covered payroll (17.40 percent of for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7.00 percent of payroll for all 2008 employees. The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan

The County's required contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were \$421,1600, \$367,084 and \$246,508 respectively. The full amount has been contributed for 2008, 2007, and 2006.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 9 - POST EMPLOYMENT BENEFITS (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate

investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

B. STATE TEACHERS RETIREMENT SYSTEM

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended December 31, 2008, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. The County's contributions for health care for the fiscal years ended December 31, 2008, 2007, and 2006 were \$469, \$425, and \$506 respectively. The full amount has been contributed for 2008, 2007, and 2006. by visiting www.strsoh.org or by calling (888) 227-7877.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2008, the balance in the Fund was \$3.7 billion. For the year ended June 30, 2008, net health care costs paid by STRS were \$288,878,000 and STRS had 126,506 eligible benefit recipients.

NOTE 10 – OTHER EMPLOYEE BENEFITS

Insurance Benefits

The County provides life insurance and accidental death and dismemberment insurance to most employees through Aetna. The County provides employee medical insurance through Aetna. The premium varies with employees depending on the insurance coverage selected. The County pays a set portion of participating employees' health and life insurance premiums, with the balance being the individual employee's responsibility.

Sick Leave and Vacation Leave

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 up to the accrual for three years, is paid to employees upon termination of employment.

Employees earn sick leave at the rate of .0575 hours for each hour worked. Unused sick leave accumulates without limit. Non-bargaining unit employees employed before April 30, 2001 with 10 years or more of service may elect upon retirement to receive payment for one half of all accrued, but unused sick credit at the employee's pay rate at the time of retirement. Non-bargaining unit employees employed after April 30, 2001 with 10 years or more of service may elect upon retirement to receive payment for one fourth of all accrued, but unused sick leave credit at the employee's pay rate at the time of retirement.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 10 – OTHER EMPLOYEE BENEFITS (Continued)

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 on it is not subject to income taxation until the distribution is made to the employee. These assets are placed in trust by the respective programs to comply with Internal Revenue Code provisions. Accordingly, these assets are not reflected in the accompanying financial statements. Employees of the County deferred \$137,317 under these two plans during 2008.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 11 – DEBT

A. SHORT-TERM DEBT

The changes in the County's short-term debt obligations during the year consist of the following:

	Interest Rate	Principal Outstanding 12/31/2007	Additions	Reductions	Principal Outstanding 12/31/2008
Governmental Activities					
<u>State Bank and Trust Company</u>					
General Obligation Notes:					
Auglaize Sewer	3.11%		\$ 480,273		\$ 480,273
<u>First Financial Bank</u>					
General Obligation Notes:					
Consolidated Financing	3.52%	133,042	72,115	(133,042)	72,115
Consolidated Financing	3.39%	153,814	116,658	(153,814)	116,658
Manatron Project	3.09%		253,980		253,980
		<u>286,856</u>	<u>442,753</u>	<u>(286,856)</u>	<u>442,753</u>
<u>Antwerp Exchange Bank</u>					
General Obligation Notes:					
Consolidated Note	2.95%		143,255		143,255
Consolidated Note	2.35%		80,053		80,053
Consolidated Note	4.57%	69,876		(69,876)	
Consolidated Note	4.30%	30,723		(30,723)	
		<u>100,599</u>	<u>223,308</u>	<u>(100,599)</u>	<u>223,308</u>
<u>First Federal Bank</u>					
General Obligation Notes:					
Auglaize Sewer	4.15%	459,876	993	(460,869)	
Consolidated Note	4.23%	122,411		(122,411)	
Manatron Project	4.06%	155,000	79,000	(234,000)	
		<u>737,287</u>	<u>79,993</u>	<u>(817,280)</u>	
<u>Bond Anticipation Note</u>					
Jail Construction	2.75%		1,991,000		1,991,000
Jail Construction	3.80%	2,300,000		(2,300,000)	
Jail Construction	4.25%	2,185,000		(2,185,000)	
		<u>4,485,000</u>	<u>1,991,000</u>	<u>(4,485,000)</u>	<u>1,991,000</u>
Total		<u>\$ 5,609,742</u>	<u>\$ 3,217,327</u>	<u>\$ (5,689,735)</u>	<u>\$ 3,137,334</u>

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 11 – DEBT (Continued)

Initial proceeds from the Tax Anticipation Notes and General Obligation Notes were used for the construction and reconstruction of ditches, tax increment financing (TIF) projects and various other capital projects. Property owners receiving the benefits of the construction or reconstruction of a ditch are assessed over an eight year period for their portion of the construction in an amount determined by the County Engineer. These special assessments collected are applied to the outstanding notes. Special assessment ditch notes 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 Jail Construction bond anticipation note in the amount of \$1,991,000 is due September 9, 2009. The proceeds are to be used for the renovation/construction of a new county adult detention facility.

B. LONG-TERM DEBT

The original issue date, interest rate, original issue amount, and balance at December 31, 2008 for the County's long-term debt issues are as follows:

	Original Issue Date	Interest Rate	Original Issue Amount
Hospital Improvement Bonds:			
Paulding County Hospital Improvements	2001	2.10 - 5.65%	\$ 1,900,000
Ohio Department of Transportation:			
SIB Loan County Road Project	2004	3.00%	125,067
Ohio Public Works Commission Loans:			
County Road Resurfacing	1997	0.00%	159,623
County Road Paving	1999	0.00%	188,617
			<u>\$ 2,373,307</u>

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 11 – DEBT (Continued)

	Balance 12/31/07	Additions	Reductions	Balance 12/31/08	Due Within One Year
Governmental Activities:					
Hospital Improvement Bonds:					
Paulding County Hospital Improvements	\$ 1,630,000		\$ (55,000)	\$ 1,575,000	\$ 55,000
Ohio Department of Transportation SIB Loan County Road Paving	118,094		(13,847)	104,247	14,695
Ohio Public Works Commission Loans:					
County Road Resurfacing	79,814		(7,981)	71,833	7,981
County Road Paving	108,453		(9,431)	99,022	9,431
Total OPWC Loans	<u>188,267</u>		<u>(17,412)</u>	<u>170,855</u>	<u>17,412</u>
Total Governmental Activities	<u>\$ 1,936,361</u>		<u>\$ (86,259)</u>	<u>\$ 1,850,102</u>	<u>\$ 87,107</u>

The County's long-term debt activity for the year ended December 31, 2008, was as follows:

The hospital improvement bonds were issued to pay costs of renovating, expanding, modernizing and equipping the Paulding County Hospital. The bonds are direct obligations of the County for which its full faith and credit are pledged for repayment. The bonds are payable from a voted property tax revenues accumulated in the Debt Service fund.

These bonds were issued on November 15, 2001. The bonds consisted of \$1,900,000 in current interest bonds (\$500,000 issued as serial bonds and \$1,400,000 issued as term bonds).

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

Maturity Date	Principal Amount	Interest Rate
2009	\$ 55,000	4.15%
2010	60,000	4.25%
2011	60,000	4.35%

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 11 – DEBT (Continued)

The term bonds, which mature on December 1, 2016, have interest rates of 5.25 percent per year, and are subject to mandatory redemption in part by lot on December 1 in the following years at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest at the redemption date, in the aggregate principal amounts below:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2012	\$ 65,000
2013	70,000
2014	75,000
2015	80,000
2016	85,000

The term bonds, which mature on December 1, 2021, have interest rates of 5.625 percent per year, and are subject to mandatory redemption in part by lot on December 1 in the following years at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest at the redemption date, in the aggregate principal amounts below:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2017	\$ 90,000
2018	95,000
2019	100,000
2020	105,000
2021	110,000

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 11 – DEBT (Continued)

The term bonds, which mature on December 1, 2026, have interest rates of 5.5 percent per year, and are subject to mandatory redemption in part by lot on December 1 in the following years at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest at the redemption date, in the aggregate principal amounts below:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2022	\$ 90,000
2023	100,000
2024	100,000
2025	115,000
2026	120,000

In 2004, the County obtained a SIB loan for the local matching share of the County Road 144 project. In July 2007, repayment began from the Gas Tax Special Revenue Fund.

The bonds maturing on or after December 1, 2012 are subject to prior redemption on or after December 1, 2011, by and at the sole option of the County, either in whole on any date or in part on any date and in integral multiples of \$5,000, at the redemption prices of 100% plus accrued interest to the redemption date.

In 1997, the County obtained an interest free loan from the Ohio Public Works Commission (OPWC) in the amount of \$159,623, for the resurfacing of several county roads. In 1999, another interest free loan was obtained from OPWC in the amount of \$188,617, for paving several county roads. The loans are repaid from the Gas Tax Special Revenue Fund in semi-annual installments of \$8,706 through 2019.

The County had available \$19,726 of credit to draw on the Auglaize Five Span Sewer loan at December 31, 2008 at an interest rate of 3.11%.

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 11 – DEBT (Continued)

The following is a summary of the County's required future annual debt service payments for the long-term obligations:

Years Ended December 31	Hospital Improvement Bonds		Ohio Public Works Commission Loans		Ohio Department of Transporation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 55,000	\$ 84,130	\$ 17,412		\$ 14,695	\$ 3,005	\$ 87,107	\$ 87,135
2010	60,000	81,848	17,412		15,139	2,561	92,551	84,409
2011	60,000	79,297	17,412		15,597	2,104	93,009	81,401
2012	65,000	76,688	17,412		16,069	1,632	98,481	78,320
2013	70,000	73,275	17,412		16,551	1,150	103,963	74,425
2014-2018	425,000	305,663	83,795		26,196	1,039	534,991	306,702
2019-2023	505,000	175,425					505,000	175,425
2024-2026	335,000	37,950					335,000	37,950
	<u>\$ 1,575,000</u>	<u>\$ 914,276</u>	<u>\$ 170,855</u>		<u>\$ 104,247</u>	<u>\$ 11,491</u>	<u>\$ 1,850,102</u>	<u>\$ 925,767</u>

NOTE 12 – LEASE ARRANGEMENTS

The County leases construction equipment used by the Paulding County Engineer. Minimum payments due under non-cancelable leases during the next five years are:

2009	\$73,155
2010	73,155
2011	31,140
2012	74,240

Rental expense paid in 2008 was \$150,683.

The County is the lesser of farmland owned by the county to tenant farmers under short term operating leases. Minimum future rental income on non-cancelable leases during the next five years is:

2009	\$63,606
2010	63,606

**FINANCIAL CONDITION
PAULDING COUNTY**

**Notes to the Financial Statements
December 31, 2008
(Continued)**

NOTE 13 – INTERFUND TRANSFERS

The interfund transfers for the year ended December 31, 2008 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS		
General Fund		\$ 109,568
MR/DD Fund		14,046
		<u>123,614</u>
NON-MAJOR FUNDS		
Special Revenue Funds		
Child Services	\$ 50,000	
Public Assistance	48,779	
Title Office	4,349	
Fire Marshall	1,313	
Emergency Management Agency	9,476	
Sheriff Fees		4,349
Capital Project Funds		
Melrose House	14,046	
	<u>127,963</u>	<u>4,349</u>
TOTAL	<u>\$ 127,963</u>	<u>\$ 127,963</u>

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 14 – PROVISION FOR COMPENSATED ABSENCES

Accumulated unpaid vacation, personal, compensatory time and sick leave are not accrued under the cash basis of accounting described in Note 2. All leave will either be absorbed by time off from work, or within certain limitations, be paid to employees. The liability is not recorded on the financial statements.

NOTE 15 – CONTINGENT LIABILITIES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, based on prior experience, the County Commissioners believe such refunds, if any, would not be material.

Legal Matters

The County has various legal cases pending, the outcome of which is not determinable as of the date of this report; however, management believes that the resolution of these matters will not have a material adverse affect on the County's financial condition.

**FINANCIAL CONDITION
PAUDLING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program		10.553	\$2,536
National School Lunch Program		10.555	<u>3,241</u>
Total U.S. Department of Agriculture			<u>5,777</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education Grants to States		84.027	12,508
State Grants for Innovative Programs		84.298	<u>19</u>
Total U.S. Department of Education			<u>12,527</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant (Title XX)		93.667	14,634
Medical Assistance Program (Title XIX- TCM)		93.778	65,721
Medical Assistance Program (Title XIX- Waiver Administration)		93.778	<u>235,857</u>
Total Medical Assistance Program			<u>301,578</u>
Total Passed Through Ohio Department of MRDD			316,212
<i>Passed Through Ohio Job and Family Services</i>			
Child Welfare Services (Title IV-B)	JFSCW08	93.645	24,030
Child Welfare Services- ESSA Family Preservation	JFSFPF08	93.645	5,799
Child Welfare Services- ESSA Family Reunification	JFSFPP08	93.645	<u>13,489</u>
Total			43,318
Chaffee Foster Care Independence Program	JFSFIL08	93.674	2,291
Child Abuse and Neglect State Grants	JFSFCA08	93.669	<u>1,848</u>
Total Passed Through Ohio Job and Family Services			47,457
<i>Passed Through Ohio Secretary of State</i>			
Voting Access for Individuals with Disabilities	06-SOS-HHHS-63	93.617	<u>6,516</u>
Total U.S. Department of Health and Human Services			<u>370,185</u>

The accompanying notes are an integral part of this schedule.

**FINANCIAL CONDITION
PAULDING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County- WIA Area 7</i>			
<i>Workforce Investment Act Cluster:</i>			
Workforce Investment Act-Adult	JFSFAF08	17.258	45,738
Workforce Investment Act- Youth	JFSFN251	17.259	29,831
Workforce Investment Act- Dislocated Worker	JFSFDF08	17.260	57,978
Total U.S. Department of Labor			<u>133,547</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	75361	20.205	112,898
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Emergency Management Agency</i>			
State Homeland Security Program	S06-SHSP-63-0263	97.073	51,266
Emergency Management Performance Grant	2077-EM-E7-0024	97.042	14,015
Total U.S. Department of Homeland Security			<u>65,281</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development</i>			
Community Development Block Grant (Formula)	B-F-06-058-1	14.228	73,000
Community Development Block Grant (Chip)	B-C-06-058-1	14.228	5,136
Community Development Block Grant (Revolving Loans)		14.228	57,248
Total			135,384
Home Investment Partnership Program (CHIP)	B-C-06-058-2	14.239	414,638
Total U.S. Department of Housing and Urban Development			<u>550,022</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Office of Criminal Justice Services</i>			
Victims of Crimes Act Grant		16.575	31,652
Total			<u>\$1,281,889</u>

The accompanying notes are an integral part of this Schedule.

**FINANCIAL CONDITION
PAULDING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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. Workforce Investment Act disbursements for the Adult grant, CFDA 17.258, in the amount of \$45,738, for the Youth grant CFDA 17.259, in the amount of \$29,831 and for the Dislocated Worker grant, CFDA 17.260, in the amount of \$57,978 were paid to subrecipients who provided services to the Board.

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 (CDBG) REVOLVING LOAN PROGRAMS

The City 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 and administrative fees are recorded as disbursements on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest, are used to make additional loans. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans; and therefore, are reported as federal expenditures in the year of disbursement. Prior year outstanding loans balances are reported in the schedule below.

These loans are collateralized by mortgages on the property or Uniform Commercial Filings (UCC) that collateralize machinery and equipment.

Activity in the CDBG revolving loan fund during 2008 is as follows:

Beginning Loan Receivable Balance as of January 1, 2008:	\$624,967
Loans Principal Repaid on Loans Issued:	(100,470)
Ending Loans Receivable Balance as of December 31, 2008	524,497
Cash Balance on Hand in the Revolving Loan Fund as of December 31, 2008:	276,175
Interest Subsidies and Administrative Costs Expended During 2008	57,248
Total Value of the Revolving Loan Portion of the CDBG 14.228 Program	333,423
Other Grants Administered through the 14.228 Program	78,136
Total CDBG 14.228 Program	\$936,056

**FINANCIAL CONDITION
PAULDING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2008
(Continued)**

**NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS
(Continued)**

These loans are collateralized by mortgages on the property. At December 31, 2008, the gross amount of loans outstanding under this program was \$ 479,548 .

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 24, 2009, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles and the County did not include financial data for the Paulding County Hospital. 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 County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-002 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated August 24, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the County'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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters, not requiring inclusion in this report, that we reported to the County's management in a separate letter dated August 24, 2009.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Commissioners, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 24, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Paulding County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008. In a separate letter to the County's management dated August 24, 2009, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 24, 2009

**FINANCIAL CONDITION
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Medical Assistance Program CFDA 93.778 Home Investment Partnership Program CFDA 14.239.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**FINANCIAL CONDITION
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2008-001 (Continued)

Noncompliance Citation - Ohio Revised Code Section 117.38 (Continued)

Ohio Administrative Code §117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. For 2008, the County prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while material, cannot be reasonably determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

We recommend the County take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

Officials Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

FINDING NUMBER 2008-002

Significant Deficiency

Financial Reporting

The County has elected to present its financial statements according to the American Institute of Certified Public Accountant's interpretation; it must adjust its financial statements to substantially conform to the display and now applicable disclosure requirements of Generally Accepted Accounting Principles (GAAP). According to the interpretation, the cash basis financial statement presentation must "look like" a GAAP presentation (i.e., GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, once it became effective).

The presentation requires that a statement of activities is presented in a format that reports the net (disbursements) receipts of the County's individual functions (General Government, Public safety, etc) with the objective to report the relative financial burden of the County's functions to its taxpayers.

In order to achieve this, certain revenues that derive directly from the function itself or from parties outside the County's taxpayers or citizenry and help to reduce the net cost of the function are presented as program revenues.

The following presentation error was noted on the statement of activities:

- Interfund transfers between governmental funds in the amount of \$127,963 were not eliminated.

**FINANCIAL CONDITION
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2008-002 (Continued)

Significant Deficiency - Financial Reporting (Continued)

The following errors were noted in the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance:

- Special assessment revenue in the amount of \$311,656 and other revenue in the amount of \$12,910 applicable to all other governmental funds were presented as charges for services.
- Public Safety expenditures in the amount of \$488,777 and capital outlay expenditures in the amount of \$431,604 were presented as part of public works and health expenditures.
- Intergovernmental revenue in the amount of \$178,146 applicable to the Mental Retardation and Developmental Disabilities fund was posted as property tax net of the related administrative fees of \$36,046.
- Intergovernmental revenue in the amount of \$21,770 applicable to the Jail Debt Service fund was posted as property tax net of the related administrative fees of \$7,438.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the County's financial statements and notes to the statements are complete and accurate, the County should adopt policies and procedures, including a final review of the statements and notes by the County Auditor, to identify and correct errors and omissions.

Officials' Response:

Management will implement a final review process to check for material errors and omissions to the financial statements and notes.

3. FINDINGS FOR FEDERAL AWARDS

None

**FINANCIAL CONDITION
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2007-001	Revised Code § 117.38- filing of reports on a GAAP basis	No	Not corrected. Reissued as finding 2008-001 in this report.
Finding 2007-002	Revised Code § 5705.41(D) County failed to certify a significant portion of its transactions	No	Partially corrected, reissued in the management letter
Finding 2007-003	Revised Code § 5705.36(A)(2), (A)(4) and 5705.39- actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current level of appropriations	No	Partially corrected, reissued in the management letter
Finding 2007-004	Significant deficiency comment for financial reporting resulting from material adjustments and reclassifications	No	Not corrected. Revised and reissued as finding 2008-002 in this report.



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 29, 2009**