



Mary Taylor, CPA  
Auditor of State



**FINANCIAL CONDITION  
PAULDING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets-Cash Basis.....	12
Statement of Activities-Cash Basis.....	13
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Cash Balances.....	14
Statement of Cash Basis Receipts, Disbursements, and Changes In Fund Balances – Governmental Funds .....	15
Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances (Budgetary Basis) – General Fund.....	16
Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances (Budgetary Basis) – Motor Vehicle Gasoline Tax Fund.....	17
Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances (Budgetary Basis) – Paulding County Board of Developmental Disabilities (PCBDD) Fund.....	18
Statement of Cash Basis Assets and Net Cash Assets - Fiduciary Funds .....	19
Notes to the Basic Financial Statements .....	20
Schedule of Federal Awards Expenditures.....	44
Notes to the Schedule of Federal Awards Expenditures .....	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters by <i>Government Auditing Standards</i> .....	55
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	57
Schedule of Findings.....	59
Schedule of Prior Audit Findings.....	61

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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, 2009, 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. We cannot determine the amounts of assets, liabilities, net assets, revenues, and expenses that the accompanying statements should present for the omitted business-type activities and major enterprise fund statements for the Paulding County Hospital in order to comply with accounting principles generally accepted in the United States of America.

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In our opinion, because of the omission of the legally separate blended component unit, 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, 2009 and its changes in cash financial position for the year then ended.

Further, 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, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle Gasoline Tax, and Paulding County Board of Developmental Disabilities (PCBDD) 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 July 28, 2010, 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 Federal Awards Expenditures Schedule 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 Federal Awards Expenditures Schedule to the auditing procedures applied in our audit of the County's 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

July 28, 2010

**FINANCIAL CONDITION  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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, 2009. 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 2009 are as follows:

- In total, net assets decreased \$752,646 which represents a 10.6% decrease over fiscal year 2008.
- The 2009 General fund revenue exceeded expenditures by \$3,917 which represents a .39% decrease over fiscal year 2008. The 2009 general fund beginning cash balance was \$1,009,227 whereas the ending cash balance was \$1,013,144.
- The County's major funds included the General, Motor Vehicle Gasoline Tax, and Paulding County Board of Developmental Disabilities (PCBDD) 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, and Paulding County Board of Developmental Disabilities (PCBDD) 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 YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)

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 on 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 2009. 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 YEAR ENDED DECEMBER 31, 2009  
(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's focus is on the County's most significant funds. The County's major funds are the General, Motor Vehicle Gasoline Tax, and Paulding County Board of Developmental Disabilities (PCBDD) 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 YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)

**Government-Wide Financial Analysis**

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

Table 1 provides a summary of the County's net assets for 2009 compared to the prior year.

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

	2009	2008
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$6,335,891	\$7,088,537
 <b>Net Assets:</b>		
Restricted	5,322,747	6,079,310
Unrestricted	1,013,144	1,009,227
Total Net Assets	\$6,335,891	\$7,088,537

Net cash assets of governmental activities decreased \$752,646 which represents a 10.6% decrease over fiscal year 2008. The decrease of net assets is the result of reducing debt in 2009, a decrease in state and federal grant funding, and a decrease in property tax, sales tax, interest, and miscellaneous receipts. Total cash disbursements also decreased by \$2,470,895.

Table 2 reflects the changes in net assets for 2009 compared to the prior fiscal year.

**FINANCIAL CONDITION  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)

**Table 2**

**Change in Net Cash Assets**

	Governmental Activities 2009	Governmental Activities 2008
	<u>                    </u>	<u>                    </u>
<b>Cash Receipts:</b>		
Program Cash Receipts:		
Charges for Services and Sales	\$2,470,917	\$2,091,548
Operating Grants and Contributions	7,730,508	7,860,067
Capital Grants and Contributions	469,148	542,416
	<u>                    </u>	<u>                    </u>
Total Program Cash Receipts	<u>10,670,573</u>	<u>10,494,031</u>
Property Taxes	2,376,012	2,571,483
Sales Tax	1,342,197	1,614,476
Unrestricted Grants	494,657	458,106
Proceeds from Sale of Notes	2,865,702	3,217,327
Interest Receipts	232,574	408,228
Loan Payments	96,605	
Miscellaneous	521,746	913,923
	<u>                    </u>	<u>                    </u>
Total General Cash Receipts	<u>7,929,493</u>	<u>9,183,543</u>
Total Cash Receipts	<u>18,600,066</u>	<u>19,677,574</u>
<b>Cash Disbursements:</b>		
General Government	2,749,341	2,891,817
Public Safety	1,899,831	2,305,898
Public Works	5,024,774	3,437,658
Health	187,719	2,105,938
Human Services	4,951,475	3,032,505
Economic Promotion	233,893	
Miscellaneous	591,411	671,919
Capital Outlay	416,442	1,309,132
Debt Service:		
Principal Retirement	3,119,010	5,775,994
Interest Charges	178,816	292,746
	<u>                    </u>	<u>                    </u>
Total Cash Disbursements	<u>19,352,712</u>	<u>21,823,607</u>
Change in Net Cash Assets	(752,646)	(2,146,033)
Net Cash Assets at Beginning of Year	<u>7,088,537</u>	<u>9,234,570</u>
Net Cash Assets at End of Year	<u><u>\$6,335,891</u></u>	<u><u>\$7,088,537</u></u>

General government represents activities related to the governing body as well as activities that directly support County programs. In 2009, general government cash disbursements totaled \$2,749,341, or 14.21% of total governmental cash disbursements. General government Legislative and Executive programs were supported by \$1,176,157 in direct charges to users and operating grants and contributions.

**FINANCIAL CONDITION  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)

The County program, Public Works, accounted for \$5,024,774 or 25.96% of total governmental cash disbursements. Public Works programs relate to betterment of county roads and related infrastructure. Public Works programs were supported by \$4,648,676 in direct charges to users, operating grants and contributions and capital grants and contributions.

The County program, Human Services, accounted for \$4,951,475 or 25.69% of total governmental cash disbursements. Human Service programs primarily include Job and Family Services related programs and the Paulding County Board of Developmental Disabilities (PCBDD). Human Service programs are primarily supported by cash receipts from property taxes and state and federal grants.

Principal retirements accounted for \$3,119,010 or 16.12% 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.

**Governmental Activities**

The Statement of Activities – Cash Basis 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 2009. 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>	
	2009	2008	2009	2008
<b>Cash Disbursements:</b>				
General Government	\$2,749,341	\$2,891,817	\$1,367,542	\$1,419,989
Public Safety	1,899,831	2,305,898	1,560,136	2,223,987
Public Works	5,024,774	3,437,658	376,098	(774,173)
Health	187,719	2,105,938	78,817	1,039,997
Human Services	4,951,475	3,032,505	977,972	327,841
Economic Promotion	233,893		161,893	
Miscellaneous	591,411	671,919	459,968	291,945
Capital Outlay	416,442	1,309,132	401,887	731,250
Debt Service:				
Principal Retirement	3,119,010	5,775,994	3,119,010	5,775,994
Interest and Fiscal Charges	178,816	292,746	178,816	292,746
<b>Total Cash Disbursements</b>	<b>\$19,352,712</b>	<b>\$21,823,607</b>	<b>\$8,682,139</b>	<b>\$11,329,576</b>

The dependence upon general cash receipts for governmental activities is apparent; with 44.9% of cash disbursements supported through taxes and other general cash receipts during 2009.

**FINANCIAL CONDITION  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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 \$6,335,891, which is \$752,646 below last year's total of \$7,088,537. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2009 and December 31, 2008, for all major and non-major governmental funds.

	Fund Cash Balance at 12/31/09	Fund Cash Balance at 12/31/08	Increase (Decrease)
<b>Major Funds:</b>			
General	\$1,013,144	\$1,009,227	\$3,917
Motor Vehicle Gasoline Tax	583,837	1,279,240	(695,403)
PCBDD	1,299,545	1,012,135	287,410
Other Nonmajor Governmental Funds	3,439,365	3,787,935	(348,570)
<b>Total</b>	<b>\$6,335,891</b>	<b>\$7,088,537</b>	<b>(\$752,646)</b>

The General fund is the main operating fund of the County. At the end of 2009, receipts and other financing sources of \$3,846,267 and disbursements and other financing uses of \$3,842,350 resulted in an increase of \$3,917 to General fund unreserved fund balance. The increase was a result of overall receipts and disbursements decreasing from 2008 at approximately the same amount.

The Motor Vehicle Gasoline Tax fund reported revenues of \$3,949,432 from gasoline tax, motor vehicle registration fees, and other revenues and disbursements of \$4,644,835 for road and bridge repairs, maintenance and debt principal payments. This resulted in a decrease of \$695,403 in the Motor Vehicle Gasoline Tax unreserved fund balance. The decrease in fund balance was due to the County increasing the amount spent for county roads and related infrastructure.

The Paulding County Board of Developmental Disabilities (PCBDD) fund reported \$2,270,869 in revenues and \$1,983,459 in disbursements which resulted in an increase of \$287,410 to the fund balance. The increase is primarily due to an increase of state and federal grant funding with a decrease in spending.

**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.

**FINANCIAL CONDITION  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)

During each fiscal year the General fund's budget is revised as needed throughout the fiscal year. 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 \$416,442.

**Debt Administration**

The County had the following long-term debt obligations outstanding at December 31, 2009:

	<u>Governmental Activities</u>
Hospital Improvement Bonds	\$ 1,520,000
Ohio Public Works Commission Loans	153,443
Ohio Department of Transportation SIB Loan	<u>89,553</u>
Total Long-term Obligations	<u>\$ 1,762,996</u>

In addition, the County has general obligation and bond anticipation notes outstanding in the amounts of \$1,043,702 and \$1,822,000 respectively.

**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 full effects of this has not been seen yet as the State is reimbursing a portion of the phased out personal property tax revenue. However, the State reimbursement dollars will now be phased out, with eventually being no reimbursement payments paid.

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. The decision was made to close the jail facility with the jail being officially closed in November of 2008 due to a lack of operating funds. The County Commissioners went to the voters for an additional (new) county current expense levy in November of 2008 but the levy was overwhelmingly defeated. Prisoners are now transported to Van Wert County for housing.

**FINANCIAL CONDITION  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)**

The Paulding County Hospital is a County owned, tax-exempt not-for-profit corporation that operates a general hospital, emergency room, and physician 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.

**Request 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  
DECEMBER 31, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,335,891</u>
<b>Net Assets</b>	
Restricted for:	
Debt Service	158,189
Capital Projects	299,790
Other Purposes	4,864,768
Unrestricted	<u>1,013,144</u>
<i>Total Net Assets</i>	<u>\$6,335,891</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FINANCIAL CONDITION  
PAULDING COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Cash Receipts			Net (Cash Disbursements) and Cash Receipts	
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Changes in Net Cash Assets	
				Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government:					
Legislative and Executive	\$ 1,974,451	\$ 1,174,555	\$ 1,602		\$ (798,294)
Judicial	774,890	159,667	45,975		(569,248)
Public Safety	1,899,831	34,014	305,681		(1,560,136)
Public Works	5,024,774	457,375	3,722,153	\$ 469,148	(376,098)
Health	187,719		108,902		(78,817)
Human Services	4,951,475	554,994	3,418,509		(977,972)
Economic Promotion	233,893		72,000		(161,893)
Miscellaneous	591,411	75,757	55,686		(459,968)
Capital Outlay	416,442	14,555			(401,887)
Debt Service:					
Principal Retirement	3,119,010				(3,119,010)
Interest and Fiscal Charges	178,816				(178,816)
<i>Total Governmental Activities</i>	<u>\$ 19,352,712</u>	<u>\$ 2,470,917</u>	<u>\$ 7,730,508</u>	<u>\$ 469,148</u>	<u>(8,682,139)</u>
<b>General Cash Receipts</b>					
Property Taxes Levied For:					
General Purposes					916,662
Developmental Disabilities					889,579
Emergency 911 Service					250,063
Debt Service					319,708
Sales Taxes					1,342,197
Grants and Entitlements not					
Restricted to Specific Programs					494,657
Proceeds from Sale of Notes					2,865,702
Interest Receipts					232,574
Loan Payment Received					96,605
Miscellaneous					521,746
<i>Total General Cash Receipts</i>					<u>7,929,493</u>
<i>Change in Net Cash Assets</i>					<u>(752,646)</u>
Net Cash Assets at Beginning of Year					<u>7,088,537</u>
<i>Net Cash Assets at End of Year</i>					<u>\$ 6,335,891</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
PAULDING COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	<u>General</u>	<u>Gas Tax</u>	<u>Paulding County Board of Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,013,144	\$ 583,837	\$ 1,299,545	\$ 3,439,365	\$ 6,335,891
<b>Fund Cash Balances</b>					
Unreserved, Undesignated Reported In:					
General Fund	\$ 1,013,144				1,013,144
Special Revenue Funds		\$ 583,837	\$ 1,299,545	\$ 2,981,386	4,864,768
Debt Service Funds				158,189	158,189
Capital Projects Funds				299,790	299,790
<i>Total Fund Cash Balances</i>	<u>\$ 1,013,144</u>	<u>\$ 583,837</u>	<u>\$ 1,299,545</u>	<u>\$ 3,439,365</u>	<u>\$ 6,335,891</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
PAULDING COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>General</b>	<b>Gas Tax</b>	<b>Paulding County Board of Developmental Disabilities</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Cash Receipts</b>					
Property Taxes	\$ 916,662		\$ 889,579	\$ 569,771	\$ 2,376,012
Sales Taxes	1,342,197				1,342,197
Charges for Services	665,802	\$ 197,942	367,552	869,809	2,101,105
Licenses and Permits	750			57,984	58,734
Fines and Forfeitures	22,815	25,400		28,830	77,045
Intergovernmental	494,657	3,722,153	970,213	3,507,290	8,694,313
Special Assessments				234,033	234,033
Interest Receipts	228,637	3,937			232,574
Loan Repayments				96,605	96,605
Other	156,603		43,525	255,071	455,199
<b>Total Cash Receipts</b>	<b>3,828,123</b>	<b>3,949,432</b>	<b>2,270,869</b>	<b>5,619,393</b>	<b>15,667,817</b>
<b>Cash Disbursements</b>					
Current:					
General Government:					
Legislative and Executive	1,307,305			667,146	1,974,451
Judicial	540,020			234,870	774,890
Public Safety	1,366,029			533,802	1,899,831
Public Works	9,490	4,627,423		387,861	5,024,774
Health	21,278			166,441	187,719
Human Services	235,652		1,983,459	2,732,364	4,951,475
Economic Promotion				233,893	233,893
Miscellaneous	284,502			282,874	567,376
Capital Outlay	54,039			362,403	416,442
Debt Service:					
Principal Retirement		17,412		3,101,598	3,119,010
Interest and Fiscal Charges				178,816	178,816
<b>Total Cash Disbursements</b>	<b>3,818,315</b>	<b>4,644,835</b>	<b>1,983,459</b>	<b>8,882,068</b>	<b>19,328,677</b>
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>9,808</u>	<u>(695,403)</u>	<u>287,410</u>	<u>(3,262,675)</u>	<u>(3,660,860)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Notes				2,865,702	2,865,702
Other Sources	18,144			48,403	66,547
Other Uses	(24,035)				(24,035)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,891)</b>			<b>2,914,105</b>	<b>2,908,214</b>
<i>Net Change in Fund Cash Balances</i>	3,917	(695,403)	287,410	(348,570)	(752,646)
Fund Balance at Beginning of Year	1,009,227	1,279,240	1,012,135	3,787,935	7,088,537
<b>Fund Balance at End of Year</b>	<b>\$ 1,013,144</b>	<b>\$ 583,837</b>	<b>\$ 1,299,545</b>	<b>\$ 3,439,365</b>	<b>\$ 6,335,891</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
PAULDING COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary Basis Receipts</b>				
Property Taxes	\$ 955,000	\$ 930,000	\$ 916,662	\$ (13,338)
Sales Taxes	1,577,300	1,477,300	1,342,197	(135,103)
Charges for Services	502,800	484,800	665,802	181,002
Licenses and Permits	800	800	750	(50)
Fines and Forfeitures	178,000	178,000	22,815	(155,185)
Intergovernmental	450,200	427,948	494,657	66,709
Investment Income	350,150	250,150	228,637	(21,513)
Other	17,647	61,684	156,603	94,919
<i>Total Budgetary Basis Receipts</i>	4,031,897	3,810,682	3,828,123	17,441
<b>Budgetary Basis Disbursements</b>				
Current:				
General Government:				
Legislative and Executive	1,271,059	1,344,675	1,307,305	37,370
Judicial	563,193	576,749	540,020	36,729
Public Safety	1,460,927	1,464,226	1,366,029	98,197
Public Works	14,878	14,878	9,490	5,388
Health	13,000	21,278	21,278	
Human Services	151,030	151,030	235,652	(84,622)
Miscellaneous	493,046	489,196	284,502	204,694
Capital Outlay	79,973	73,892	54,039	19,853
<i>Total Budgetary Basis Disbursements</i>	4,047,106	4,135,924	3,818,315	317,609
<i>Excess of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</i>	(15,209)	(325,242)	9,808	335,050
<b>Other Financing Sources (Uses)</b>				
Other Sources	33,353	26,816	18,144	(8,672)
Other Uses	(18,144)	(18,144)	(24,035)	(5,891)
<i>Total Other Financing Sources (Uses)</i>	15,209	8,672	(5,891)	(14,563)
<i>Net Change in Fund Cash Balance</i>		(316,570)	3,917	320,487
Fund Cash Balance at Beginning of Year	1,009,227	1,009,227	1,009,227	
<i>Fund Cash Balance at End of Year</i>	\$ 1,009,227	\$ 692,657	\$ 1,013,144	\$ 320,487

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
PAULDING COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES (BUDGETARY BASIS)  
GAS TAX FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary Basis Receipts</b>				
Charges for Services			\$ 197,942	\$ 197,942
Fines and Forfeitures	\$ 30,000	\$ 30,000	25,400	(4,600)
Intergovernmental	3,465,000	3,465,000	3,722,153	257,153
Investment Income			3,937	3,937
Other	510,000	510,000		(510,000)
<i>Total Budgetary Basis Receipts</i>	<u>4,005,000</u>	<u>4,005,000</u>	<u>3,949,432</u>	<u>(55,568)</u>
<b>Budgetary Basis Disbursements</b>				
Current:				
Public Works	4,183,518	4,926,453	4,627,423	299,030
Debt Service:				
Principal Retirement	17,413	17,413	17,412	1
<i>Total Budgetary Basis Disbursements</i>	<u>4,200,931</u>	<u>4,943,866</u>	<u>4,644,835</u>	<u>299,031</u>
<i>Net Change in Fund Cash Balance</i>	(195,931)	(938,866)	(695,403)	243,463
Fund Cash Balance at Beginning of Year	<u>1,279,240</u>	<u>1,279,240</u>	<u>1,279,240</u>	
<i>Fund Cash Balance at End of Year</i>	<u>\$ 1,083,309</u>	<u>\$ 340,374</u>	<u>\$ 583,837</u>	<u>\$ 243,463</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
PAULDING COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES (BUDGETARY BASIS)  
PAULDING COUNTY BOARD OF DEVELOPMENTAL DISABILITIES FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary Basis Receipts</b>				
Property Taxes	\$ 1,067,833	\$ 1,067,833	\$ 889,579	\$ (178,254)
Charges for Services			367,552	367,552
Intergovernmental	889,866	786,617	970,213	183,596
Other	32,200	32,200	43,525	11,325
<i>Total Budgetary Basis Receipts</i>	<u>1,989,899</u>	<u>1,886,650</u>	<u>2,270,869</u>	<u>384,219</u>
<b>Budgetary Basis Disbursements</b>				
Current:				
Human Services	<u>2,505,218</u>	<u>2,483,583</u>	<u>1,983,459</u>	<u>500,124</u>
<i>Excess of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</i>	<u>(515,319)</u>	<u>(596,933)</u>	<u>287,410</u>	<u>884,343</u>
<b>Other Financing Sources:</b>				
Transfers Out	<u>(15,000)</u>	<u>(15,000)</u>		<u>15,000</u>
<i>Net Change in Fund Cash Balance</i>	(530,319)	(611,933)	287,410	899,343
Fund Cash Balance at Beginning of Year	<u>1,012,135</u>	<u>1,012,135</u>	<u>1,012,135</u>	
<i>Prior Year Encumbrances Appropriated</i>				
<i>Fund Cash Balance at End of Year</i>	<u>\$ 481,816</u>	<u>\$ 400,202</u>	<u>\$ 1,299,545</u>	<u>\$ 899,343</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
PAULDING COUNTY**

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2009

	<u>Agency</u>
<b>Cash Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,706,064
Equity in Cash and Cash Equivalents in Segregated Accounts	<u>150,356</u>
<i>Total Assets</i>	<u>\$ 1,856,420</u>
<b>Net Cash Assets</b>	
Unrestricted	<u>\$ 1,856,420</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**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



**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

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

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:

- 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 2009, the County paid administrative fees of \$13,251 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 2009, a tax levy produced \$234,695 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 \$100,000 from the District in 2009 to administer its local solid waste reduction program.

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

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

**P.C. Workshop, Inc.** is a legally separate, not-for-profit corporation, served by a self-appointing board of directors. P.C. Workshop, Inc., under a contractual agreement with the Paulding County Board of Developmental Disabilities (PCBDD), provides sheltered employment for mentally retarded or handicapped adults in Paulding County. The County provides building space and administrative staff to P.C. Workshop, Inc. as necessary for the operation of the workshop. 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.

**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 on a cash basis or draws from the general cash receipts of the County.

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

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

**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. Fiduciary fund are reported by type.

**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:

**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.

**Paulding County Board of Development Disabilities (PCBDD) 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.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

**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.

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

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

**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 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.

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

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

**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.

**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.

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

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

**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”.

Cash and cash equivalents that are held separately within departments of the County are recorded as “equity in outside accounts”.

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 2009, 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, 2009.

Investment procedures are restricted by the applicable provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2009 was \$228,637, of which \$198,192 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. INTERFUND 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.

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

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

**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 9 and 10, 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, 2009, there were no amounts restricted by enabling legislation.

**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 – COMPLIANCE**

Ohio Administrative Code section 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, the County prepared its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and subjected to various other administrative penalties as a result.

**NOTE 4 – 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).

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 5 – 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, or any book entry, zero coupon United States Treasury security that is a direct obligation of 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.
- 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 (STAR Ohio).
- 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 that mature within 270 days and in an amount not to exceed five percent of the County's total average portfolio.
- J. Bankers' acceptances for a period not to exceed 180 days and in an amount not to exceed ten percent of the County's total average portfolio.



**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 5 – EQUITY IN CASH EQUIVALENTS AND INVESTMENTS – (Continued)**

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives that are not issued or guaranteed by the United States 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, 2009, the County had \$1,498 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, 2009, the carrying amount of all County bank deposits was \$5,935,622.

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, 2009, \$1,658,768 of the County's bank balances of \$6,831,107 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.

**Investments**

At December 31, 2009, the County had the following investments:

Investment Type	Cost Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	over 24 months
Federal Home Loan Bank	\$ 947,945	\$ 249,298		\$ 248,712	\$ 199,960	\$ 249,975
STAR Ohio	257,926	257,926				
Federal Farm Credit Bank	1,049,320			249,838	249,900	549,582
Total Investments	<u>\$ 2,255,191</u>	<u>\$ 507,224</u>		<u>\$ 498,550</u>	<u>\$ 449,860</u>	<u>\$ 799,557</u>

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 5 – EQUITY IN CASH EQUIVALENTS AND INVESTMENTS – (Continued)**

**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.

**Credit Risk** – The federal agency securities carry a rating of AAA by Moody’s. STAR Ohio 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 STAR Ohio 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:

	Cost Value	Percentage of Portfolio
Federal Home Loan Bank	\$ 947,945	42.0%
Federal Farm Credit Bank	\$ 1,049,320	46.5%

**NOTE 6 – 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 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35% of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2009 with real property taxes.

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 6 – PROPERTY TAX – (Continued)**

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.

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 funds of the County.

The full tax rate applied to real property for the fiscal year ended December 31, 2009 was \$12.21 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$10.61 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$10.90 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 2009 property tax receipts were based are as follows:

Real Property		
	Residential/Agricultural	\$ 244,357,290
	Commercial/Industrial	<u>32,536,000</u>
	Total real property	276,893,290
Tangible Personal Property-2007 Valuation		
	General	867,500
	Public utility	<u>23,262,740</u>
	Total tangible personal property	<u>24,130,240</u>
Total Valuation		<u>\$ 301,023,530</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.

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 7 – 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 2009 was \$1,342,197.

**NOTE 8 – 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 2009, 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		Replacement Cost
Inland Marine		Replacement Cost
Motortruck Cargo		\$100,000
Flood and Earthquake		Replacement Cost Value
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 and outside)	\$1,000,000	Each Loss

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 8 - RISK MANAGEMENT – (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. There has been no significant reduction in insurance coverage from 2008, and settled claims have not exceeded this coverage in the past three years.

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>2009</u>	<u>2008</u>
Cash and Investments	\$ 55,151,743	\$ 71,747,176
Liabilities	\$ 26,128,124	\$ 28,221,939

**B. WORKERS COMPENSATION GROUP RATING PROGRAM**

For 2009, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (the Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer 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 counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the County is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any county leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS- (Continued)**

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 the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10.00% of covered payroll; public safety members contributed 10.10 percent, and law enforcement members contributed 10.10 percent.

The County's contribution rate for 2009 was 14.00 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.63 percent of payroll. The portion of employer contributions allocated to healthcare was 7.00 percent from January 1 through March 31, 2009, and 5.50 percent from April 1 through December 31, 2009, for all employees. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contributions for pension obligations to traditional and combined plans for the years ended December 31, 2009, 2008 and 2007 were \$455,350, \$441,952 and \$582,435, respectively. 100% has been contributed for 2009, 2008 and 2007.

**B. STATE TEACHERS RETIREMENT SYSTEM**

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.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 BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS- (Continued)**

Funding Policy - For the fiscal year ended June 30, 2009 (the latest information available), plan members are 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. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its 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 31, 2009, 2008 and 2007 were \$7,034, \$6,103 and \$3,939, respectively. 100 percent has been contributed for 2009, 2008 and 2007.

**NOTE 10 - POSTEMPLOYMENT 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.

Funding Policy – 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 2009, local government employers contributed 14.00 percent of covered payroll (17.63 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 from January 1 through March 31, 2009, and 5.50 percent from April 1 through December 31, 2009. 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, 2009, 2008, and 2007 were \$312,987, \$421,160, and \$367,084 respectively. The full amount has been contributed for 2009, 2008, and 2007.

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)**

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

**B. STATE TEACHERS RETIREMENT SYSTEM**

Plan Description – The County contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by 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 by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal years ended December 31, 2009, 2008, and 2007 were \$541, \$469, and \$425 respectively. The full amount has been contributed for 2009, 2008, and 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009 (the latest information available), the balance in the Fund was \$2.7 billion. For the year ended June 30, 2009, net health care costs paid by STRS were \$298,110,000 and STRS had 129,659 eligible benefit recipients.

**NOTE 11 – OTHER EMPLOYEE BENEFITS**

**A. 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.

**B. 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 BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 11 – OTHER EMPLOYEE BENEFITS – (Continued)**

**C. 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 \$151,086 under these two plans during 2009.

**NOTE 12 – DEBT**

**A. SHORT-TERM DEBT**

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

	Interest Rate	Principle Outstanding 12/31/2008	Additions	Reductions	Principle Outstanding 12/31/2009
<b>Governmental Activities</b>					
<u>State Bank and Trust Company</u>					
General Obligation Notes					
Auglaize Sewer	2.57%	\$ 480,273	\$ 547,498	\$ (480,273)	\$ 547,498
Manatron Project	2.57%		153,864		153,864
Consolidated Note	2.57%		35,495		35,495
Consolidated Note	2.49%		132,681		132,681
		<u>480,273</u>	<u>869,538</u>	<u>(480,273)</u>	<u>869,538</u>
<u>First Financial Bank</u>					
General Obligation Notes					
Consolidated Financing	3.52%	72,115		(72,115)	
Consolidated Financing	3.39%	116,658		(116,658)	
Manatron Project	3.09%	253,980		(253,980)	
		<u>442,753</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	2.96%		110,721		110,721
Consolidated Note	2.35%		63,443		63,443
		<u>223,308</u>	<u>174,164</u>	<u>(223,308)</u>	<u>174,164</u>
<u>Bond Anticipation Note</u>					
Jail Construction	2.75%	1,991,000		(1,991,000)	
Jail Construction	2.25%		1,822,000		1,822,000
		<u>1,991,000</u>	<u>1,822,000</u>	<u>(1,991,000)</u>	<u>1,822,000</u>
<b>TOTAL</b>		<u>\$ 3,137,334</u>	<u>\$ 2,865,702</u>	<u>\$ (3,137,334)</u>	<u>\$ 2,865,702</u>

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 12 – DEBT – (Continued)**

Initial proceeds from the 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 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 \$1,822,000 is due in September 2010. The proceeds were used to refinance debt 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, 2009 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 BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 12 – DEBT – (Continued)**

The County's long-term debt activity for the year ended December 21, 2009, was as follows:

	Balance 12/31/08	Additions	Reductions	Balance 12/31/09	Due Within One Year
<b>Governmental Activities:</b>					
Hospital Improvement Bonds:					
Paulding County Hospital Improvements	\$ 1,575,000		\$ (55,000)	\$ 1,520,000	\$ 60,000
Ohio Department of Transportation					
SIB Loan County Road Paving	104,247		(14,694)	89,553	15,139
Ohio Public Works Commission					
Loans:					
County Road Resurfacing	71,833		(7,981)	63,852	7,981
County Road Paving	99,022		(9,431)	89,591	9,431
Total OPWC Loans	<u>170,855</u>		<u>(17,412)</u>	<u>153,443</u>	<u>17,412</u>
Total Governmental Activities	<u>\$ 1,850,102</u>		<u>\$ (87,106)</u>	<u>\$ 1,762,996</u>	<u>\$ 92,551</u>

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
2010	60,000	4.25%
2011	60,000	4.35%

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:

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 12 – 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

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

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**NOTE 12 – DEBT – (Continued)**

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 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.

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 \$68,002 of credit to draw on the Auglaize Five Span Sewer loan at December 31, 2009 at an interest rate of 2.57%.

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 Transportation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	75,000	69,600	17,412	-	16,996	705	109,408	70,305
2015-2019	450,000	282,656	66,383	-	9,201	334	525,584	282,990
2020-2024	505,000	147,256	-	-	-	-	505,000	147,256
2025-2026	235,000	19,525	-	-	-	-	235,000	19,525
	<u>\$ 1,520,000</u>	<u>\$ 830,145</u>	<u>\$ 153,443</u>	<u>\$ -</u>	<u>\$ 89,553</u>	<u>\$ 8,486</u>	<u>\$ 1,762,996</u>	<u>\$ 838,631</u>

**NOTE 13 – 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:

Year	Amount
2010	\$ 74,571
2011	32,556
2012	75,656
2013	1,062

Rental expense paid in 2009 was \$157,120.

**FINANCIAL CONDITION  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**NOTE 13 – LEASE ARRANGEMENTS – (Continued)**

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 is \$63,606. The leases expire September 1, 2010.

**NOTE 14 – CONTINGENT LIABILITIES**

**A. 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.

**B. LEGAL MATTERS**

In 2010, the Paulding County Sheriff filed a lawsuit against the Paulding County Commissioners seeking additional departmental appropriations. Potential financial impact to the General fund could be \$101,000 (including attorney fees for both parties and the Sheriff's departmental appropriations) if the lawsuit is found in favor of the Sheriff. A court date is set for August 23, 2010.

**NOTE 15 – SUBSEQUENT EVENTS**

In March of 2010, the County received \$1,650,000 from the Ohio Department of Transportation (ODOT) to help repair county roads that were damaged due to the State Route 24 construction project.

Starting in January 2010, the County is now the fiscal agent for the Senior Center. 2010 estimated revenues and appropriations for the Senior Center were approximately \$430,000.

On July 22, 2010, the Commissioners approved a 2 mill General operating levy to be placed on the November 2010 ballot. If passed, the levy would generate approximately \$613,268. Collections would begin in January of 2011.

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FINANCIAL CONDITION  
PAULDING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009

**FEDERAL GRANTOR**  
*Pass Through Grantor*  
Program Title

---

**U.S. DEPARTMENT OF EDUCATION**  
*Passed Through Ohio Department of Education*

Special Education Grants to States

Total Special Education Cluster

State Grants for Innovative Programs

**Total U.S. Department of Education**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
*Passed Through Ohio Job and Family Services*

Supplemental Nutrition Assistance Cluster

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - ARRA

Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Promoting Safe and Stable Families

Total Promoting Safe and Stable Families

Temporary Assistance for Needy Families

Total Temporary Assistance for Needy Families

Child Support Enforcement

Child Support Enforcement - ARRA

Total Child Support Enforcement

Child Care Cluster

Child Care and Development Block Grant

Total Child Care and Development Block Grant

*The accompanying notes are an integral part of this schedule.*



Pass Through Entity Number	Program Number	Federal CFDA Number	Disbursements
066183-6BSF-2009		84.027	8,262
066183-6BSF-2010		84.027	971
			<u>9,233</u>
066183-C2S1-2009		84.298	19
			<u>9,252</u>
G-89-20-1125 / G-1011-11-5094	JFSFF108	10.561	3,681
	JFSFF109	10.561	832
	JFSFFB08	10.561	(1,841)
	JFSFFB09	10.561	49,612
	JFSFFB10	10.561	17,625
	JFSFFB09S	10.561	10,242
			<u>80,151</u>
G-89-20-1125 / G-1011-11-5094	JFSFPF09	93.556	5,212
	JFSFMC09	93.556	636
	JFSFPF10	93.556	2,994
	JFSFMC10	93.556	428
			<u>9,270</u>
G-89-20-1125 / G-1011-11-5094	JFSFTF08	93.558	39,104
	JFSFTF09	93.558	463,367
	JFSFTF10	93.558	94,606
			<u>597,077</u>
G-89-20-1125 / G-1011-11-5094	JFSFCS09	93.563	119,940
	JFSFCS10	93.563	38,124
	JFSFCS09S	93.563	16,192
			<u>174,256</u>
G-89-20-1125 / G-1011-11-5094	JFSFCD08	93.575	2,139
	JFSFCD09	93.575	36,206
	JFSFCD10	93.575	483
			<u>38,828</u>

FINANCIAL CONDITION  
PAULDING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)

FEDERAL GRANTOR  
*Pass Through Grantor*

Program Title

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Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund

ARRA - Child Care and Development Block Grant

Total Child Care Cluster

Child Welfare Services\_State Grants

Total Child Welfare Services\_State Grants

Foster Care\_Title IV-E

Foster Care\_Title IV-E - ARRA

Total Foster Care\_Title IV-E

Adoption Assistance

Social Services Block Grant

Total Social Service Block Grant

Child Abuse and Neglect State Grants

Chafee Foster Care Independence Program

Medical Assistance Program

Total Medical Assistance Program

Total Passed Through Ohio Job and Family Services

***Passed Through Ohio Department of Developmental Disabilities***

Social Services Block Grant (Title XX)

Medical Assistance Program - ARRA

Total Passed Through Ohio Department of Developmental Disabilities

Total All Social Services Block Grants - CFDA 93.667

Total All Medical Assistance Programs - CFDA 93.778

*The accompanying notes are an integral part of this schedule.*

Pass Through Entity Number	Program Number	Federal CFDA Number	Disbursements
G-89-20-1125 / G-1011-11-5094	JFSFCD09	93.596	5,598
	JFSFCM09	93.596	6,523
	JFSFCM10	93.596	7,734
			<u>19,855</u>
G-89-20-1125 / G-1011-11-5094	JFSFCD09S	93.713	<u>23,560</u>
			82,243
G-89-20-1125 / G-1011-11-5094	JFSFCW09	93.645	11,798
	JFSFCW10	93.645	8,809
			<u>20,607</u>
G-89-20-1125 / G-1011-11-5094		93.658	133,833
		93.658	8,677
			<u>142,510</u>
G-89-20-1125 / G-1011-11-5094		93.659	39,534
G-89-20-1125 / G-1011-11-5094	JFSFSS09	93.667	126,772
	JFSFSS10	93.667	23,898
	JFSFTX09	93.667	111,062
	JFSFTX10	93.667	27,047
			<u>288,779</u>
G-89-20-1125 / G-1011-11-5094	JFSFSTFO	93.669	2,000
	JFSFCA08	93.669	(62)
			<u>1,938</u>
G-89-20-1125 / G-1011-11-5094	JFSFIL09	93.674	3,702
G-89-20-1125 / G-1011-11-5094	JFSFMT09	93.778	125,500
	JFSFMP09	93.778	706
	JFSFMT10	93.778	60,743
			<u>186,949</u>
			<u>1,627,016</u>
		93.667	11,079
		93.778	68,022
			<u>0</u>
			79,101
			299,858
			<u>254,971</u>

FINANCIAL CONDITION  
PAULDING COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)

**FEDERAL GRANTOR**  
***Pass Through Grantor***  
Program Title

---

**Total U.S. Department of Health and Human Services**

**ELECTION ASSISTANCE COMMISSION**  
***Passed Through the Ohio Secretary of State Office***

Voting Access for Individuals With Disabilities - Grants to States  
Help America Vote Act Requirements Payments

**Total Election Assistance Commission**

**U.S. DEPARTMENT OF LABOR**  
***Passed Through Montgomery County WIA Area 7***

Workforce Investment Act (WIA) Cluster

WIA - Adult Program

WIA - Adult Program - ARRA  
WIA - Adult Program - Administrative  
WIA - Adult Program - Administrative - ARRA  
Total

WIA - Youth Program

WIA - Youth Program - ARRA  
Total

WIA - Dislocated Worker Program

WIA - Dislocated Worker Program - ARRA  
WIA - Dislocated Worker Program - Administrative - ARRA  
Total

Total WIA Cluster

**U.S. DEPARTMENT OF TRANSPORTATION**  
***Passed Through Ohio Department of Transportation***

Highway Planning and Construction

**U.S. DEPARTMENT OF HOMELAND SECURITY**  
***Passed Through the Ohio Department of Public Safety***  
***Emergency Management Agency***

State Homeland Security Program

Emergency Management Performance Grant

Total Emergency Management Performance Grant

**Total U.S. Department of Homeland Security**

*The accompanying notes are an integral part of this Schedule.*

Pass Through Entity Number	Program Number	Federal CFDA Number	Disbursements
			<b>1,706,117</b>
06-SOS-HHHS-63	06-SOS-HHHS-63	93.617	1,602
		90.401	2,254
			<b>3,856</b>
2008-7163-1 / 2009-7163-2	JFSFSP08	17.258	5,001
	JFSFAF09	17.258	10,558
	JFSFAF09S	17.258	18,257
	JFSFAP08	17.258	209
	JFSFAF09S	17.258	461
			34,486
2008-7163-1 / 2009-7163-2	JFSFYP08	17.259	5,918
	JFSFN251	17.259	7,522
	JFSFYF09S	17.259	47,719
			61,159
2008-7163-1 / 2009-7163-2	JFSFDP08	17.260	28,292
	JFSFDF09	17.260	17,094
	JFSFDP09	17.260	439
	JFSFDP09S	17.260	24,762
	JFSFDF09S	17.260	499
			71,086
			166,731
75604	75604	20.205	301,475
2007-GE-T7-0030		97.067	28,914
2008-EM-E8-0002		97.042	24,431
2009-EP-E9-0061		97.042	5,385
			29,816
			<b>58,730</b>

FINANCIAL CONDITION  
PAULDING COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)

FEDERAL GRANTOR  
*Pass Through Grantor*  
Program Title

---

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
*Passed Through the Ohio Department of Development*

Community Development Block Grant (Formula)  
Community Development Block Grant (Revolving Loans )

**Total U.S. Department of Housing and Urban Development**

**U.S. DEPARTMENT OF JUSTICE**

Bulletproof Vest Partnership Grant

*Passed Through The Ohio Attorney General*

Crime Victim Assistance  
Crime Victim Assistance  
Total Crime Victim Assistance

**Total U.S. Department of Justice**

**Total**

*The accompanying notes are an integral part of this Schedule.*

<u>Pass Through Entity Number</u>	<u>Program Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
B-F-08-058-1		14.228	72,000
		14.228	<u>150,939</u>
			<b><u>222,939</u></b>
		16.607	1,797
2009VAGENE738		16.575	21,914
2010VAGENE738		16.575	<u>8,037</u>
			<u>29,951</u>
			<b><u>31,748</u></b>
			<b><u><u>\$2,500,848</u></u></b>

**FINANCIAL CONDITION  
PAULDING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports Paulding County's (the County) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

The County passes certain federal awards received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash. Workforce Investment Act (WIA) disbursements for the Adult Program (CFDA #17.258) in the amount of \$18,812; for the Youth Program (CFDA #17.259) in the amount of \$71,085; and for the Dislocated Worker Program (CFDA # 17.260) in the amount of \$53,671 were paid to subrecipients who provided services to the County. Starting October 1, 2009, the Adult Program and Dislocated Worker Program were no longer considered subrecipients since the Paulding County Department of Job and Family Services took over administering the programs.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

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

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons 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 Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

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 2009 is as follows:

Beginning Loan Receivable Balance as of January 1, 2009:	\$524,497
Loans Issued In 2009	130,000
Loan Principal Repaid on Loans Issued Prior to 2009	(\$68,420)
Loans Principal Repaid on 2009 Loans Issued	(\$5,695)
<b>Ending Loans Receivable Balance as of December 31, 2009</b>	<u>580,382</u>
Cash Balance on Hand in the Revolving Loan Fund as of December 31, 2009	211,839
Administrative Costs Expended During 2009	20,939
<b>Total Value of the Revolving Loan Portion of the CDBG 14.228 Program</b>	<u>232,778</u>
<b>Other Grants Administered Through the CDBG 14.228 Program</b>	<u>72,000</u>
<b>Total CDBG 14.228 Program</b>	<u><u>\$885,160</u></u>

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2009, the County estimates \$46,089 to be uncollected.



**FINANCIAL CONDITION  
PAULDING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE E - TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2010, the County made allowable transfers of \$138,109 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$597,077 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2009 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Need Families (TANF)	\$735,186
Transfer To Socal Services Block Grant (SSBG)	<u>(138,109)</u>
Total	<u><u>\$597,077</u></u>

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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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 28, 2010, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles and the County does not include financial data for the Paulding County Hospital, a legally separate blended component unit. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

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

### 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 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated July 28, 2010.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 28, 2010



# 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, 2009. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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, 2009

### 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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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 noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated July 28, 2010.

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

July 28, 2010

**OFINANCIAL CONDITION  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2009**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Highway Planning and Construction– CFDA # 20.205 Temporary Assistance for Needy Families – CFDA # 93.558 Social Services Block Grant - CFDA # 93.667 Foster Care Assistance_Title IV-E - CFDA # 93.658
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2009-001**

**Noncompliance Finding**

**Ohio Revised Code § 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 § 117-2-03(B)**, which further clarifies the requirements of Ohio Revised Code § 117.38, requires the County to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

For 2009, 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 the County's accounting practice and GAAP that, while presumably 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 and does not present a higher risk for the County's assets.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**FINANCIAL CONDITION  
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Administrative Code § 117-2-03 (B) – Not reporting on GAAP basis	No	Not Corrected. Reissued as finding 2009-001 in this report.
2008-002	Significant Deficiency - Financial Reporting	Yes	





**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  
AUGUST 19, 2010**