



Dave Yost • Auditor of State

VILLAGE OF PAULDING
PAULDING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Paulding, Paulding County, Ohio (the Village) as of and for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Paulding, Paulding County, Ohio as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Federal Award Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

June 24, 2014

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**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$162,809	\$264,404				\$427,213
Municipal Income Tax	452,789					452,789
Intergovernmental	105,140	231,008		\$3,434,646		3,770,794
Charges for Services	12,987	209,839				222,826
Fines, Licenses and Permits	26,397	9,797		4,973		41,167
Earnings on Investments	4,067	1,831				5,898
Payment in Lieu of Taxes	12,970					12,970
Miscellaneous	52,351	19,508				71,859
<i>Total Cash Receipts</i>	<u>829,510</u>	<u>736,387</u>		<u>3,439,619</u>		<u>5,005,516</u>
Cash Disbursements						
Current:						
Security of Persons and Property	76,341	570,132				646,473
Public Health Services	22,573					22,573
Leisure Time Activities	41,731	55,580				97,311
Community Environment	6,687					6,687
Basic Utility Services	15,540					15,540
Transportation	244	133,641		3,900		137,785
General Government	250,936					250,936
Capital Outlay	165,974	40,115		8,442,413		8,648,502
Debt Service:						
Principal Retirement		496,000				496,000
Interest and Fiscal Charges		13,598				13,598
<i>Total Cash Disbursements</i>	<u>580,026</u>	<u>1,309,066</u>		<u>8,446,313</u>		<u>10,335,405</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>249,484</u>	<u>(572,679)</u>		<u>(5,006,694)</u>		<u>(5,329,889)</u>
Other Financing Receipts (Disbursements)						
Sale of Notes	110,000	479,000				589,000
Loan Proceeds				5,003,592		5,003,592
Proceeds of Lawsuit	69,644					69,644
Transfers In		196,100				196,100
Transfers Out	(436,524)					(436,524)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(256,880)</u>	<u>675,100</u>		<u>5,003,592</u>		<u>5,421,812</u>
<i>Net Change in Fund Cash Balances</i>	<u>(7,396)</u>	<u>102,421</u>		<u>(3,102)</u>		<u>91,923</u>
<i>Fund Cash Balances, January 1</i>	<u>441,329</u>	<u>1,328,213</u>	<u>\$31,571</u>	<u>29,901</u>	<u>\$1,566</u>	<u>1,832,580</u>
Fund Cash Balances, December 31						
Nonspendable					1,500	1,500
Restricted		732,846	31,571		66	764,483
Committed		697,788		26,799		724,587
Assigned	14,181					14,181
Unassigned	419,752					419,752
<i>Fund Cash Balances, December 31</i>	<u>\$433,933</u>	<u>\$1,430,634</u>	<u>\$31,571</u>	<u>\$26,799</u>	<u>\$1,566</u>	<u>\$1,924,503</u>

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$1,632,988	\$66,971	\$1,699,959
Fines, Licenses and Permits	1,326	20,987	22,313
Miscellaneous	52,914	2,191	55,105
<i>Total Operating Cash Receipts</i>	<u>1,687,228</u>	<u>90,149</u>	<u>1,777,377</u>
Operating Cash Disbursements			
Personal Services	681,559	23,451	705,010
Contractual Services	474,660	23,922	498,582
Supplies and Materials	104,151	11,399	115,550
Other	11,030	14,218	25,248
<i>Total Operating Cash Disbursements</i>	<u>1,271,400</u>	<u>72,990</u>	<u>1,344,390</u>
<i>Operating Income</i>	<u>415,828</u>	<u>17,159</u>	<u>432,987</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental		14,400	14,400
Special Assessments	14,026		14,026
Loan Proceeds	76,402		76,402
Sale of Notes	636,000		636,000
Farm Rent	17,527		17,527
Sale of Capital Assets	14,200	6,000	20,200
Capital Outlay	(103,874)	(19,037)	(122,911)
Principal Retirement	(907,285)		(907,285)
Interest and Other Fiscal Charges	(120,508)		(120,508)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(373,512)</u>	<u>1,363</u>	<u>(372,149)</u>
<i>Income before Transfers</i>	42,316	18,522	60,838
Transfers In	415,145		415,145
Transfers Out	(174,721)		(174,721)
<i>Net Change in Fund Cash Balances</i>	282,740	18,522	301,262
<i>Fund Cash Balances, January 1</i>	<u>1,474,999</u>	<u>17,981</u>	<u>1,492,980</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,757,739</u>	<u>\$36,503</u>	<u>\$1,794,242</u>

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Village participates in jointly governed organizations, the Paulding County Fire Association, and a public entity risk pool, the Ohio Plan Risk Management, Inc. Notes 9 and 10 to the financial statements provide additional information for these entities.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village values certificates of deposit and repurchase agreements at cost.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Water Treatment Plant (WTP) Construction Capital Improvement Fund – This fund is used to track several grant and loan monies received to fund the construction of a new water treatment plant project.

5. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant Permanent Fund:

Cemetery Trust Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village’s cemetery.

6. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

cost of providing this utility.

Sewer Capital Improvement Fund - This fund receives monies primarily from the Village's bond issue to cover the cost of capital improvement to various sewer projects.

7. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's Agency Funds account for:

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 budgetary activity appears in Note 3.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

**VILLAGE OF PAULDING
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2013
Demand deposits	\$422,544
Certificates of deposit	1,413,091
Total deposits	1,835,635
Repurchase agreement	1,883,110
Total deposits and investments	\$3,718,745

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

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

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,042,100	\$1,009,154	(\$32,946)
Special Revenue	1,436,420	1,411,487	(24,933)
Capital Projects	8,787,400	8,443,211	(344,189)
Enterprise	3,153,700	2,860,528	(293,172)
Permanent	2		(2)
Agency	97,500	110,549	13,049
Total	\$14,517,122	\$13,834,929	(\$682,193)

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,177,240	\$1,030,731	\$146,509
Special Revenue	1,412,294	1,309,066	103,228
Capital Projects	8,787,400	8,446,313	341,087
Enterprise	2,654,700	2,577,788	76,912
Fiduciary	96,050	92,027	4,023
Total	\$14,127,684	\$13,455,925	\$671,759

4. Property Tax

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

The Village levies a municipal income tax of .5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$40,494	4.5%
Ohio Water Development Authority Loans	6,510,621	1.00-6.35%
Mortgage Revenue Bonds	4,996,166	2.75%
Bond Anticipation Notes	1,225,000	2.75%
Total	\$12,772,281	

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

Ohio Public Works Commission (OPWC) Loans

The Village entered into a loan in 1995 for interceptor improvements. The loan is for 20 years and has an interest rate of 4.5 percent. The Village makes semiannual installments of \$14,110, including interest, for the loan.

Ohio Water Development Authority (OWDA) Loans

The Village entered into these loans as cooperative agreements for the construction, maintenance, and operation of water and sewer development projects. Loan #3031, which had its first installment due January 1, 1997, will be repaid in semiannual installments of \$1,467, including interest, over 20 years. Loan #3367, which had its first installment due January 1, 2003, will be repaid in semiannual installments of \$30,171, including interest, over 15 years. Loan #6099 will be repaid in semiannual installments, including interest, over 30 years (the amortization schedule for this loan has not been completed as of yet), the first payment being due on January 1, 2015. Loan #6143's principal balance was rolled over into a long-term construction loan in 2013 (loan #6386). Loan #6386 will be repaid in semiannual installments, including interest, over a 5 year period (the amortization schedule for this loan has not been completed as of yet), the first payment being due on January 1, 2014.

2012 Mortgage Revenue Bonds

The Village issued \$4,997,000 in mortgage revenue bonds in April 2012 to finance the construction of a new water treatment plant, pumping stations, and force mains. These bonds were issued for a 40 year period, with final maturity in 2052. The bonds will be paid through utility system user charges collected in the Water Fund.

Bond Anticipation Notes

The Village issued bond anticipation notes for such projects as improving the water treatment plant; North Cherry Street, water and sewer improvements; Village water and sewer improvements; and acquiring and approving real property. The bond anticipation notes are one-year renewals with a maturity date on May 16, 2014 and an interest rate of 5%.

Amortization of the above debt, including interest, is scheduled as follows:

**VILLAGE OF PAULDING
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

Year ending December 31:	OPWC Loan	OWDA Loans	Mortgage Revenue Bonds	Bond Anticipation Note
2014	\$28,211	\$63,276	\$159,773	\$1,286,250
2015	14,110	63,276	211,886	
2016		61,809	212,442	
2017			212,154	
2018			212,161	
2019-2023			1,060,560	
2024-2028			1,061,036	
2029-2033			1,060,792	
2034-2038			1,060,792	
2039-2043			1,060,696	
2044-2048			1,060,878	
2049-2052			688,130	
Total	<u>\$42,321</u>	<u>\$188,361</u>	<u>\$8,061,300</u>	<u>\$1,286,250</u>

7. Leases

The Village entered into several leases for such items as a postage meter and copiers. These leases are repaid from the General, Police, EMS, Water, Sewer, Water Capital Improvement, and Sewer Capital Improvement Funds.

Future minimum lease payments are as follows:

Year ending December 31:		
2014		\$6,308
2015		2,569
2016		2,569
2017		2,569
2018		660
Total		<u>\$14,675</u>

8. Retirement Systems

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013, OP&F participants contributed 10% of their wages. The Village contributed to OP&F an amount equal to 19.5% of police members' wages. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

9. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

10. Jointly Governed Organizations

The Paulding County Fire Association (PCFA) is a jointly governed organization which provides firefighting services to three townships and three villages (member subdivisions) within Paulding County. The PCFA relies upon its member subdivisions for the funding of its operations. Each member subdivision has a vote on the operating budget of the PCFA. The member subdivision's

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

share of the PCFA budget is based on a ratio which incorporates the number of fire runs taking place within its subdivision plus current subdivision valuation in relation to overall fire runs and valuation. The Village serves as fiscal agent for the PCFA. The Village's share of the budget was \$25,000 in 2013.

11. Interfund Transfers

During 2013 the following transfers were made:

		Transfers Out		
		General	Enterprise	Total
Transfers In	Special Revenue	\$196,100		\$196,100
	Enterprise	240,424	\$174,721	415,145
	Total	\$436,524	\$174,721	\$611,245

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

12. Subsequent Events

On December 30, 2013, the Village passed Ordinance 1468-13 increasing the municipal income tax to 1% effective January 1, 2014.

VILLAGE OF PAULDING
PAULDING COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Direct Assistance</i> Water and Waste Disposal Systems for Rural Communities - Grant	10.760	<u>\$3,080,796</u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Paulding, Paulding County, Ohio (the Village) as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated June 24, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material

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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, opining 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 or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 24, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of Paulding, Paulding County, Ohio (the Village), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Paulding complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village'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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 24, 2014

**VILLAGE OF PAULDING
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	GAAP - Adverse Regulatory - Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities - CFDA #10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. Village of Paulding

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

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

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

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

Twenty-nine percent of the disbursements selected for testing exceeded \$3,000 and were certified using Then and Now Certification. None of these Certifications were formally approved by the Council as required. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used. Any "then and now" certifications exceeding \$3,000 should be formally approved by Council.

FINDING NUMBER 2013-002

Material Weakness - Reconciling of Monthly EMS Revenue

Billing and payment information for the Village was performed by Medicount, the Village's EMS billing service organization. Once a month, the EMS clerk prepared a pay-in to the Village treasury and made a deposit for revenues collected. No reconciliation was performed between the Village's revenue per fund 211 to the Medicount Month End Activity Reports. The EMS Clerk also received direct payment from customers and failed to notify Medicount of the payments.

In 2013, \$2,597 was received directly by the EMS Clerk that Medicount was unaware of. In 2013, \$496 in payments from Medicount had not been received and had gone undetected. Consequently, errors could occur and not be detected in a timely manner.

We recommend the EMS Clerk perform monthly reconciliations to ensure all revenue received each month is properly accounted for by Medicount and by the Village.

FINDING NUMBER 2013-003

Material Weakness – Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

The financial statements contained the following errors:

- Restricted fund balance in the Special Revenue funds was overstated and committed fund balance was understated by \$684,385.
- Debt Service fund balance was recorded as committed instead of restricted in the amount of \$31,571.
- The Capital Project Fund balance was recorded as restricted and assigned instead of committed in the amounts of \$3,000 and \$23,798, respectively.
- \$66 of the Permanent Fund balance should have been recorded as restricted instead of nonspendable.

Adjustments were recorded to the 2013 financial statements to reclassify the above amounts.

In order to ensure the Village's governmental fund balances are reported in accordance with GASB 54, we recommend the Fiscal Officer review Auditor of State Bulletin 2011-004.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

3. FINDING FOR FEDERAL AWARDS

None

**VILLAGE OF PAULDING
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Revised Code § 5705.41(D)(1) for not properly certifying expenditures.	No	Not corrected and reissued as Finding 2013-001 in this report.
2012-002	Material weakness due to lack of monitoring of governmental fund balance classifications on the financial statements.	No	Not corrected and reissued as Finding 2013-004 in this report.
2013-003	Material weakness due to lack of monitoring of financial statements.	Yes	



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VILLAGE OF PAULDING

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 15, 2014