



**Auditor of State
Betty Montgomery**

PAULDING COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Paulding County
115 N. Williams Street
Paulding, OH 45879-1284

To the Board of Commissioners:

We have audited the accompanying financial statements of Paulding County (the County) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Paulding County Hospital, the County's enterprise fund type. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Paulding County Hospital, is based on the report of the other auditors.

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

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

In our opinion, the financial statements referred to above, other than the Paulding County Hospital, present fairly, in all material respects, the combined fund cash balances of County as of December 31, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2. Also in our opinion, based on the report of other auditors, the financial statements of Paulding County Hospital present fairly, in all material respects, the financial position of Paulding County Hospital, as of December 31, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by 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. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Board of Commissioners, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 14, 2003

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PAULDING COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types	
	General	Special Revenue
Receipts:		
Taxes	\$2,539,435	\$1,115,613
Charges for Services	468,702	258,341
Licenses and Permits	2,000	85,772
Fines and Forfeitures	265,096	310,497
Intergovernmental Receipts	428,731	6,877,092
Special Assessments		
Other Receipts	416,022	990,475
Total Receipts	4,119,986	9,637,790
Disbursements:		
General Government:		
Legislative and Executive	1,404,329	149,590
Judicial	602,513	
Public Safety	1,344,520	297,994
Public Works	63,347	2,978,069
Health	5,517	2,179,056
Human Services	96,660	2,610,320
Conservation - Recreation		48,704
Miscellaneous	127,684	413,014
Capital Outlay	185,593	654,787
Debt Service:		
Bond Principal Payment		
Note Principal Payment		
Interest and Fiscal Charges		
Total Disbursements	3,830,163	9,331,534
Excess of Receipts Over/(Under) Disbursements	289,823	306,256
Other Financing Sources (Uses):		
Proceeds of Notes	108,000	
Operating Transfers - In		218,966
Operating Transfers - Out	(316,208)	(73,000)
Advances-In Not Repaid		15,000
Advances-Out Not Repaid	(15,000)	
Other Financing Sources	206,570	111,500
Other Financing Uses	(173,142)	
Total Other Financing Sources (Uses)	(189,780)	272,466
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses Before Extraordinary Loss	100,043	578,722
Extraordinary Loss	(228,388)	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements After Extraordinary Loss	(128,345)	578,722
Fund Cash Balance - January 1	1,784,567	2,923,047
Fund Cash Balance - December 31	\$1,656,222	\$3,501,769

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$138,903			\$3,793,951
			727,043
			87,772
			575,593
	\$1,250,924		8,556,747
	477,320		477,320
	112,792	\$50,013	1,569,302
<u>138,903</u>	<u>1,841,036</u>	<u>50,013</u>	<u>15,787,728</u>
			1,553,919
			602,513
			1,642,514
			3,041,416
	137,789		2,322,362
			2,706,980
			48,704
			540,698
	1,963,498		2,803,878
35,000			35,000
1,900,000	1,945,983		3,845,983
133,987	93,155		227,142
<u>2,068,987</u>	<u>4,140,425</u>		<u>19,371,109</u>
<u>(1,930,084)</u>	<u>(2,299,389)</u>	<u>50,013</u>	<u>(3,583,381)</u>
	2,185,033		2,293,033
	170,242		389,208
			(389,208)
			15,000
			(15,000)
			318,070
	(165,889)		(339,031)
	<u>2,189,386</u>		<u>2,272,072</u>
(1,930,084)	(110,003)	50,013	(1,311,309)
			(228,388)
(1,930,084)	(110,003)	50,013	(1,539,697)
2,021,174	690,622	70,714	7,490,124
<u>\$91,090</u>	<u>\$580,619</u>	<u>\$120,727</u>	<u>\$5,950,427</u>

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PAULDING COUNTY
COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Fund Types:			
General Fund	\$3,975,319	\$4,434,556	\$459,237
Special Revenue Funds	10,489,116	9,968,256	(520,860)
Debt Service	137,931	138,903	972
Capital Projects Funds	3,299,143	4,196,311	897,168
Fiduciary Fund Type:			
Trust Funds	333,606	50,013	(283,593)
Total (Memorandum Only)	<u>\$18,235,115</u>	<u>\$18,788,039</u>	<u>\$552,924</u>

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

PAULDING COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Prior Year Carryover <u>Appropriations</u>	2002 <u>Appropriations</u>
Governmental Fund Types:		
General Fund		\$4,569,756
Special Revenue Funds		10,975,081
Debt Service Fund		2,033,725
Capital Projects Funds		4,110,498
Fiduciary Fund Type:		
Trust Funds		406,000
Total (Memorandum Only)		<u><u>\$22,095,060</u></u>

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

<u>Total</u>	<u>Actual 2002 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/02</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$4,569,756	\$4,547,901		\$4,547,901	\$21,855
10,975,081	9,404,534		9,404,534	1,570,547
2,033,725	2,068,987		2,068,987	(35,262)
4,110,498	4,306,314		4,306,314	(195,816)
406,000				406,000
<u>\$22,095,060</u>	<u>\$20,327,736</u>		<u>\$20,327,736</u>	<u>\$1,767,324</u>

PAULDING COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Fiduciary Fund Type
	Agency Funds
Nonoperating Receipts:	
Other Nonoperating Receipts	\$23,310,916
Nonoperating Disbursements:	
Other Nonoperating Disbursements	22,799,811
Excess of Nonoperating Receipts Over Nonoperating Disbursements	511,105
Fund Cash Balance - January 1	1,292,176
Fund Cash Balance - December 31	\$1,803,281

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

PAULDING COUNTY HOSPITAL

BALANCE SHEET
DECEMBER 31, 2002

ASSETS - General Fund

Assets:

Current Assets:

Cash and Cash Equivalents	\$366,248
Patient Accounts Receivable, Net	1,733,233
Notes Receivable, Current Portion	42,898
Inventories	328,871
Prepaid Expenses	123,060
Third Party Settlements	220,231
Other Receivables	47,394

Total Current Assets 2,861,935

Assets Limited as to Use:

Investments	3,661,086
Accrued Interest Receivable	5,688
Property and Equipment, Net	7,505,583
Notes Receivable, Net of current portion	303,011

Total Assets - General Fund \$14,337,303

Donor Restricted Funds

Investments \$13,705

Total Donor Restricted Assets \$13,705

(Continued)

PAULDING COUNTY HOSPITAL

BALANCE SHEET
DECEMBER 31, 2002
(Continued)

LIABILITIES AND FUND BALANCES - General Fund

Liabilities:

Current Liabilities:	
Current portion of Long Term Debt	\$254,224
Accounts Payable	452,482
Accrued Expenses:	
Payroll and Taxes	343,219
Vacation Pay	320,542
Other	<u>227,630</u>
Total Current Liabilities	<u>1,598,097</u>
Long-Term Debt:	
Long Term Debt, Net of Current Portion	<u>589,651</u>
Total Liabilities	<u>2,187,748</u>
Fund Balances - General Fund:	
Contributed Capital	1,900,000
Unrestricted Fund Balance	<u>10,249,555</u>
Total Fund Balances	<u>12,149,555</u>
Total Liabilities and Fund Balances	<u><u>\$14,337,303</u></u>
Donor Restricted Funds	
Specific Purpose Funds	<u>\$13,705</u>
Total Donor Restricted Funds	<u><u>\$13,705</u></u>

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

PAULDING COUNTY HOSPITAL

STATEMENT OF REVENUES AND EXPENSES OF THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

Operating Revenues:	
Net Patient Service Revenue	\$14,051,601
Other Revenue	<u>202,393</u>
Total Operating Revenues	<u>14,253,994</u>
Operating Expenses:	
Salaries and Wages	6,346,524
Employees Benefits	1,820,894
Professional Fees	264,595
Supplies and Other Expenses	2,808,723
Purchased Services	1,243,619
Depreciation	750,354
Interest	50,824
Provisions for Bad Debt	<u>414,819</u>
Total Operating Expenses	<u>13,700,352</u>
Operating Income	<u>553,642</u>
Other Income:	
Investment Income	97,822
Contributions	126,647
Other (Note 3 M. Loss on Investments)	<u>249,337</u>
Total Other Income	<u>473,806</u>
Revenues in Excess of Revenues and Losses	<u><u>\$1,027,448</u></u>

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

PAULDING COUNTY HOSPITAL

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Unrestricted</u>		<u>Donor Specific Purpose Funds</u>	<u>Total Funds</u>
	<u>General Fund</u>	<u>Contributed Capital</u>		
Balances - December 31, 2001	\$9,222,107	\$1,900,000	\$13,577	\$11,135,684
Revenue and gains in excess of expenses	1,027,448			1,027,448
Investment Income			128	128
Balances - December 31, 2002	<u>\$10,249,555</u>	<u>\$1,900,000</u>	<u>\$13,705</u>	<u>\$12,163,260</u>

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

PAULDING COUNTY HOSPITAL

STATEMENT OF CASH FLOWS OF THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

Cash Flows from Operating and Non-Operating Activities

Cash Received from Patients and Third Party Payers	\$13,642,666
Cash Payments to Suppliers for Services and Goods	(4,319,198)
Cash Payments to Employees for Services	(8,131,941)
Other Operating Revenue (Loss) Received	161,816

Net Cashed Provided by Operating and Non-Operating Activities 1,353,343

Cash Flows from Investing Activities

Investment Income	224,962
Loss on uninsured investments	249,337
Advances to physicians - net of forgiveness	4,749

Net Cashed Provided by Investing Activities 479,048

Cash Flows from Noncapital and Related Financing Activities

Unrestricted Contributions Received	126,647
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Cash Flows From Capital and Related Financing Activities:

Purchase of Property and Equipment	(1,201,207)
Interest Paid on Long-Term Debt	(50,824)
Principal Payments on Noted Payable	(18,690)
Principal Payments on Capital Leases	(208,785)

Net Cash Used for Capital and Related Financing Activities (1,479,506)

Net Increase in Cash and Cash Equivalent 479,532

Cash and Cash Equivalent - Beginning of Year 3,547,802

Cash and Cash Equivalent - End of Year \$4,027,334

Equipment obtained through capital lease \$225,000

(Continued)

PAULDING COUNTY HOSPITAL

STATEMENT OF CASH FLOWS OF THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

Cash Flows from Operating Activities and Non-Operating Gains

Income from Operations	\$553,642
Interest Expense Considered Capital Financing Activities	50,824
Adjustments to Reconcile Revenue and Gains in Excess of Expenses to Net Cash Provided by Operating Activities and Non-Operating Gains	
Depreciation	750,354
Provision for Bad Debt	414,819
Decrease (Increase) in Patient Accounts Receivable	(233,355)
Decrease (Increase) in Inventories	(42,313)
Decrease (Increase) in Prepaid Expenses and Other Receivables	(6,451)
Decrease (Increase) in Third-Party Settlements	(175,580)
Decrease (Increase) in Accounts Payable	(157,993)
Decrease (Increase) in Other Accrued Expenses	199,396
Net Cash Provided by Operating Activities and Non-Operating Gains	<u>\$1,353,343</u>

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

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 1 - DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The financial statements and notes include all funds, agencies, boards, commissions, and component units for which Paulding County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

The Paulding County Hospital (the Hospital) operates under the authority of § 339, Ohio Revised Code. It is governed by a Board of Trustees appointed by the County Commissioners, the Probate Judge, and the Judge of the Court of Common Pleas of Paulding County. The Hospital is not considered legally separate from the County and for financial reporting purposes is treated as an Enterprise Fund of the County.

Based on the foregoing criteria, the financial activities of the following entities should be reflected in the accompanying financial statements and notes:

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization

Paulding County is a member of the Maumee Valley Planning Organization (MVPO) which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of MVPO is to act as a joint regional planning commission to write and administer state and federal grants and help with housing rehabilitation in the area. MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main source of revenue is fees charged by MVPO to administer grants and a per capita amount from each county. In 2002, the County paid administrative fees of \$107,259 to MVPO.

Alcohol, Drug Addiction, and Mental Health Services Board of Mercer, Paulding, and Van Wert Counties (Tri-County Mental Health Board)

The Tri-County Mental Health Board is a jointly governed organization among Mercer, Paulding, and Van Wert Counties. The Tri-County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction, and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting, and advocating for the rights of persons as consumers of alcohol, drug addiction, and mental health services. The ability to influence operations depends on the County's representation on the board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services, and the remaining ten members are appointed by the County Commissioners of Mercer,

PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

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 2002, a tax levy provided \$182,509 for the operations of the organization.

West Central Partnership, Inc.

The West Central Partnership, Inc. (the Partnership) is a jointly governed not-for-profit organization among Allen, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and raising money for such purpose and to expend, contribute, disburse, or otherwise handle and dispose of the same for such purpose. The Board of Trustees consists of nine members, including a County Commissioner from each of the member counties and the Director of Region 3, West Central SBDC Partnership.

Community Improvement Corporation

The County is a member of the Community Improvement Corporation of the Village of Antwerp and Paulding County (CIC) which is a jointly governed organization between the Village of Antwerp, Paulding County, the Village of Payne and respective Townships of Paulding County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, and research facilities within member subdivisions.

The CIC is governed by a Board of Trustees consisting of 14 self appointed members. Not less than two-fifths of the members are to be composed of elected officials. Seven of these Trustees include: a member of the Board of County Commissioners of Paulding County, the Mayor and his/her elected officials of the Village of Antwerp, the Mayor and his/her elected official of the Village of Payne, and an elected official of Carryall Township. The remaining members represent private residents of Paulding County or employees of the Paulding County businesses or firms. The County paid the CIC \$39,500 in 2002.

JOINT VENTURES

Four County Solid Waste District

The County is a member of the Four County Solid Waste District (the District), which is a joint venture between Defiance, Fulton, Paulding, and Williams Counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989.

The Four County Solid Waste District is governed and operated through a twelve member board of directors, comprised of three commissioners from each county. Financial records are maintained by the Williams County auditor in Bryan, Ohio. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste.

The County has an ongoing financial interest in the District. The County Commissioners are able to influence the Board of Directors to use the District's surplus resources to undertake special projects of interest to the County's citizens. In the event that a county withdraws from the District, this access to the net resources has not been explicitly defined, nor is it currently measurable. The County has no ongoing financial responsibility for the District. The County received \$38,500 from the District in 2002 to administer its local solid waste reduction program.

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Multi-Area Narcotics Task Force (the Task Force)

Paulding County is a member of a drug task force which is a joint venture between Defiance, Paulding, and Putnam Counties and the Cities of Defiance and Bryan. The purpose of the drug task force is to act as a joint task force in the fight against narcotics. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity.

The main source of revenue for the Task Force is federal grants and local matching shares made by the participating entities. The County has no ongoing financial responsibility to the Task Force. The County has indirect access to the net resources of the Task Force since the County is able to influence the Task Force to use its surplus resources to undertake projects of interest to the County's residents. This access to the net resources of the Board has not been explicitly defined, nor is it currently measurable. Paulding County contributed \$4,780 to the Task Force in 2002. Complete financial statements for the Task Force can be obtained through the Defiance County Sheriff's Office located at 113 Biede Street, Defiance, Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-3(B) to prepare its annual financial report in accordance with generally accepted accounting principles in the United States of America, the County, with the exception of the Paulding County Hospital, the County's Enterprise fund type, chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principals. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

A general fixed asset group and general long-term debt obligation group of accounts is not recorded on the financial statements by the County under the basis of accounting used. By virtue of Ohio law, the County is required to maintain the encumbrance method of accounting and to make appropriations.

A. Basis of Presentation - Fund Accounting

The County uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. Governmental Fund Types

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

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

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

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

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

2. Proprietary Fund Types

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

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

3. Fiduciary Fund Types

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

B. Budgetary Process

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

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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

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

1. Budget

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

2. Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1 this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31 the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2002, unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is canceled at year end and reappropriated at the beginning of the subsequent year.

PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

C. Property, Plant, and Equipment

With the exception of the Enterprise Fund, acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

D. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. With the exception of the Enterprise Fund, unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the County.

E. Cash and Investments

The County maintains a cash and investment pool which is available for all funds except the Enterprise Fund. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances. During fiscal year 2002, investments were limited to certificates of deposits and STAR Ohio. All investments of the County had a maturity of two years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute.

F. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund -type eliminations have not been made in the aggregation of this data.

NOTE 3 - PAULDING COUNTY HOSPITAL (ENTERPRISE FUND)

A. Significant Accounting Policies

1. Organization

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

2. Basis of Presentation

The financial statements have been presented in conformity with accounting principles generally accepted in the United States of America as recommended in the Audit Guide (Audits of Providers of Health Care Services) published by the American Institute of Certified Public Accountants. The significant accounting policies conform to accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Hospital also applies the Financial Accounting Standards Board Statements and Interpretation issued to the extent that they do not contradict or conflict with GASB pronouncements.

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

3. Cash and Cash Equivalents

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

4. Accounts Receivable

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

5. Inventories

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

6. Assets Limited as to Use

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

7. Property and Equipment

Property and equipment for the Enterprise Fund are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Equipment under capital leases is amortized on the straight-in method over the useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Cost of maintenance and repairs are charged to expense when incurred.

8. Notes Receivable

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

9. Compensated Absences

Paid time off is charged to operations when earned. Unused and earned benefits are recorded as a current liability in the financial statements.

PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

10. Unrestricted and Restricted Funds

Restricted funds represent contributions and bequests whose use is specified by the donor. Restricted gifts and other restricted resources are initially recognized as revenue of the restricted fund and are recognized by the Hospital as direct additions to the general fund in the period in which the expenditures are made for the purpose intended by the donor.

Unrestricted gifts represent contributions and bequests upon which donors place no restrictions or that arise as a result of the operation of the Hospital for its stated purpose. Assets limited as to use are not considered to be restricted funds. Unrestricted contributions are included in nonoperating revenue in the statements of revenue and expenses in the period received by the Hospital.

11. Net Patient Service Revenue

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

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

12. Income from Operations

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

13. Investment Income

Investment income on board-designated funds (funded depreciation) and general funds are recorded as non-operating gains. All investment income from donor-restricted funds is added to the restricted fund balance.

14. Charity Care

The Hospital provides care to patients that meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

15. Use of Estimates

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

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

16. Pension Plan

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

17. Federal Income Tax

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

18. Reclassification

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

B. Deposits and Investments

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

2002	Cash and Cash Equivalents	Assets Limited as to Use	Restricted Cash and Cash Equivalents
Deposits	\$366,248		
Certificates of Deposit		\$3,661,086	\$13,705
Total	\$366,248	\$3,661,086	\$13,705

	2002
Amount of deposits reflected on the accounts of the bank (without recognition of checks written but yet not cleared or of deposits in transit).	\$4,473,341
Amount of deposits covered by federal depository insurance	(600,000)
Amount of deposits uninsured	\$3,873,341

Amounts of deposits not insured by federal depository insurance are collateralized by pools of securities pledged by the depository banks and held in the name of the respective bank. See the subsequent events note regarding the Hospital's investments.

C. Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

	<u>2002</u>
Gross Patient Accounts Receivable	\$ 3,280,062
Less Allowance For:	
Uncollectible Accounts	(883,321)
Contractual Adjustments	(663,508)
	<u>\$1,733,233</u>

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

	<u>2002</u>
Medicare	38%
Medicaid	12%
Blue Cross	9%
Patient Pay	17%
Other Third-Party Payers	24%
	<u>100%</u>

D. Property and Equipment

Property and equipment is summarized at December 31, 2002, as follows:

	<u>2002</u>	<u>Depreciable Life-Years</u>
Land	\$30,609	Not applicable
Land Improvements	163,553	5-25 years
Building and Improvements	9,462,106	5-50 years
Fixed Equipment	1,455,292	5-20 years
Moveable Equipment	4,418,002	5-20 years
Moveable Equipment - Capital Leases	1,961,188	5 years
	<u>17,490,750</u>	
Total Property and Equipment		
Less Accumulated Depreciation	(9,985,167)	
Property and Equipment, Net	<u>\$7,505,583</u>	

During 2001, the Hospital was in the process of renovating the hospital facility. The Hospital completed this project as of December 31, 2002.

PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)

E. Long Term Debt

Notes payable and equipment under capital leases are summarized at December 31, 2002 as follows:

	2002
Note payable to First Federal Bank, payable over 60 months with monthly payments of \$1,881, including interest at 5.94%, secured by roof.	\$52,202
Capital lease payable over 60 months, with monthly payments of \$4,324, including interest at 5.75%, collateralized by roof.	198,595
Capital lease payable to Fifth Third Bank over 120 months, with monthly payments of \$18,385, including interest at 5.52%, collateralized by HVAC system.	593,078
Total	843,875
Less Current Portion	(254,224)
Long Term Portion	<u>\$589,651</u>

At December 31, 2002, future minimum payments on the note payable and capital lease payable are as follows:

Year Ending December 31	Note Payable	Lease Payable
2003	\$19,970	\$272,501
2004	21,205	272,500
2005	11,027	254,117
2006		51,885
2007		17,294
Total	\$52,202	868,297
Less Amount Representing Interest		(76,624)
Total		<u>\$791,673</u>

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

	2002
Cost of Equipment Under Capital Lease	\$1,961,188
Less Accumulated Amortization	(769,925)
Net Carrying Amount	<u>\$1,191,263</u>

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

F. Contributed Capital

The Hospital has received \$1,900,000 from Paulding County to pay for the costs of renovating, expanding, modernizing, and equipping Paulding County Hospital. The voters of Paulding County passed a levy in November 1999 to approve the levy of ad valorem taxes on all property in the County subject to ad valorem taxes levied by the County, which taxes are unlimited as to amount. Due to the County not collecting property tax revenue on this levy until the year 2001, the County issued a bond anticipation note. The Hospital received the proceeds of the note from the County, which matured September 14, 2000, with an interest rate of 4.5 percent. The Hospital has no obligation for the retirement of the notes or the bonds, which are backed by the full faith of Paulding County.

G. Cost Report Settlements

Approximately 54 percent of the Hospital's revenues from patient services are received from the Medicare and Medicaid programs. The Hospital has agreements with these payers that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payers. A summary of reimbursement with third-party payers follows.

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

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

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

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

H. Net Patient Service Revenue

Net patient service revenue consists of the following:

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

	2002
Revenue:	
Inpatient Services:	
Routine Services	\$861,556
Ancillary Services	3,150,167
Outpatient ancillary services	13,414,862
Total Patient Revenue	17,426,585
Less Contractual Adjustments Under Third-Party reimbursement Programs	(3,374,984)
Total Net Patient Service Revenue	\$14,051,601

I. Defined Benefit Pension Plan

Plan Description - The Hospital contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement System. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns authority to establish and amend benefit provisions to the OPERS Board of Trustees. OPERS issues a stand-alone financial report available to the public that includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6705 or 1-800-222-PERS (7377).

Funding Policy - Plan members are required to contribute 8.50 percent of their annual covered salary and the Hospital is required to contribute at an actuarially determined rate of annual covered payroll. The employer rate was 13.55 percent for 2002 and 2001. The contribution requirement of plan members and the Hospital is established and may be amended by the OPERS Board of Trustees. The Hospital's contribution to OPERS for the years ended December 31, 2002, 2001, and 2000, were \$55,337, \$801,597, and \$536,065. Required employer contributions are equal to 100 percent of the dollar amount billed to each employer and must be extracted from the employer's records.

Post-Retirement Benefits - The Ohio Public Employees Retirement System provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB), as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 and 2001 employer contribution rate for local government employer units was 13.55 percent of covered payroll for 2002 and 2001, respectively. Of this amount, 5.0 percent was the portion that was used to fund health care throughout the year. The portion of the employer's contribution used to fund post-employment benefits was \$315,619.

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

OPEB's are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

The number of active contributing participants during 2002 was 402,041. As of December 31, 2001, the actuarial value of the Retirement System's net assets available from OPEB was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

J. Risk Management

The Hospital is insured against medical malpractice claims under an occurrence-based policy. The policy covers claims resulting from incidents that occur during the policy terms, regardless of when the claims are reported to the insurance carries. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claims exceeding \$1,000,000 or aggregate claims exceeding \$3,000,000 for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional \$5,000,000 of coverage.

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

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

K. Deferred Compensation Plan

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

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

L. Self-Insurance

The Hospital is partially self-insured under a plan covering all employees for employee health insurance. The plan is covered by a stop-loss policy that covers claims over \$25,000 per employee or total claims in excess of \$1,000,000. The plan policy year ends on December 31. Claims, charged to operations when incurred, were approximately \$580,000 for the year ended December 31, 2002.

Reconciliation of accrued health insurance at December 31, 2002 and 2001, consists of the following:

Balance at January 1, 2001	\$46,180
Health insurance expense	665,000
Payments made	<u>(666,271)</u>
Balance at December 31, 2002	<u><u>\$44,909</u></u>

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Balance at January 1, 2002	\$44,909
Health insurance expense	580,000
Payments made	<u>(534,352)</u>
Balance at December 31, 2002	<u><u>\$90,557</u></u>

M. Loss on Investments

At December 31, 2001, the Hospital maintained \$1.48 million of investments at a local bank. In February 2002, it was discovered the bank was defrauded of most of its assets. The Hospital was only insured for \$100,000 (FDIC) and was collateralized an additional amount totaling \$95,620. Due to the uncertainty of recovering any of the funds beyond insured and collateralized amounts, the Hospital wrote down the uninsured portion of investments totaling \$1.29 million in 2001. The Hospital has recovered the insured and collateralized amounts as of December 31, 2001, as well as an additional \$249,777 of uninsured amounts, which were previously written down at December 31, 2001.

NOTE 4 - COMPONENT UNIT - PC WORKSHOP, INC.

PC Workshop, Inc. (the Workshop) was organized in 1977 in order to provide sheltered employment for mentally retarded and developmentally disabled persons in Paulding County. The Workshop operates in facilities owned by, and with a staff provided by, the Paulding County Board of Mental Retardation and Developmental Disabilities. The major work performed by the Workshop is assembly for the automotive industry, various janitor services, recycling, and day care. All are performed in Northwest Ohio. The financial activity of the PC Workshop is not included as a part of the accompanying financial statements. To obtain the financial statements contact the PC Workshop, Finance Department, 900 West Caroline Street, Paulding, Ohio 45879.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

A. Legal Requirements

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

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

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

PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County.
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value.
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio.
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110 percent of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

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

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

B. Cash on Hand

Cash on hand consists of \$14,289 in undeposited as of December 31, 2002.

C. Deposits

At year-end, the carrying amount of the County's deposits, excluding the Paulding County Hospital, including non-negotiable certificates of deposit, was \$5,144,084 and the bank balance, including non-negotiable certificates of deposit was \$6,061,960. Of the bank balance:

1. \$734,146 was covered by federal depository insurance.
2. \$449,537 was collateralized by securities specifically pledged by the financial institution to the County.
3. \$4,460,566 was covered by collateral held by third party trustee pursuant to § 135.181, Revised Code, in collateralized pools securing all public funds on deposits with specific depository institutions.
4. \$417,711 was not properly collateralized by either specific or pooled securities.

The County maintained \$810,715 in deposits at a local bank on February 1, 2002. In February 2002, it was discovered the bank was allegedly defrauded of most of its assets. The County was only insured for \$100,000 (FDIC) and received an additional \$482,327 from the sale of collateral that was originally held by the defrauded bank and from the liquidation of the bank. In addition, the FDIC paid off a \$108,000 loan that the County owed to the bank. From January 1, 2003 through the report date, the County had received an additional \$27,763 from the FDIC.

D. Investments

The County's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

As of December 31, 2002, the County's investments were as follows:

	<u>Uncategorized</u>	<u>Carrying Amount</u>	<u>Market Value</u>
STAR Ohio	<u>\$2,595,335</u>	<u>\$2,595,335</u>	<u>\$2,595,335</u>

NOTE 6 - PROPERTY TAXES

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all nonexempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

The full tax rate applied to real property, for the fiscal year ended December 31, 2002, was \$12.26 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$9.77 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$10.21 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended December 31, 2002, was \$12.26 per \$1,000 of assessed valuation.

Real Property - 2001 Valuation	
Residential/Agricultural	\$202,315,460
Commercial/Industrial	24,497,880
Public Utilities	217,690
Tangible Personal Property - 2002 Valuation	
General	30,400,886
Public Utilities - 2001	<u>23,073,440</u>
Total Valuation	<u><u>\$280,505,356</u></u>

The Paulding County Treasurer collects property tax on behalf of all taxing districts within the County. The Paulding County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

NOTE 7 - RISK MANAGEMENT

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

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

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

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

PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan.

OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-4642 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5 percent for employees other than law enforcement. In January 2001, House Bill 416 divided the OPERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1 percent. All other members of the OPERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9 percent

For local government employer units the rate was 13.55 percent of covered payroll. The 2002 employer contribution rate for both the law enforcement and public safety divisions was 19.50 percent of covered payroll.

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

The County has paid all contributions required through December 31, 2002.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mentally Retarded/Developmentally Disabled (MRDD) participate in the State Teachers Retirement System of Ohio (STRS) cost sharing multiple-employer public employee's retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County has paid all contributions required through December 31, 2002.

PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

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

Summary of Assumptions:

Actuarial Review: The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 2001.

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

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

Investment Return: The investment assumption rate for 2001 was 8.00 percent.

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

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

OPEB is advance-funded on an actuarially determined basis.

The number of active contributing participants was 402,041.

PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

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

The retirement board elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of OPERS's actual funding methodology. As of December 31, 2001, the actuarial value of the Retirement System's net assets was \$11,600,000,000. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16,400,000,000 and \$4,800,000,000, respectively.

In 2002, the portion of the County's employer contributions that were used to fund post employment benefits were \$281,686.26.

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

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

B. State Teachers Retirement System

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

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

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

PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)

NOTE 10 - EMPLOYEE BENEFITS

A. Sick Leave and Vacation Leave Benefits

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to employees upon termination of employment.

Employees earn sick leave at the rate of one and one-fourth days per month. Unused sick leave shall accumulate without limit. Upon retirement, payment is made for one-half of all accrued, but unused sick leave credit provided the employee has ten or more years of service with the County.

B. Deferred Compensation

Employees of the County may elect to participate in the Ohio Public Employees Deferred Compensation Program or the County Commissioners Association of Ohio Program. Under these programs employees authorize a voluntary payroll deduction which is invested in a plan of their choice. The accumulated value of the account is not distributed to the employee until a future date, usually after retirement. The deferred pay and any income earned on it is not subject to taxation until the distribution is made to the employee.

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

NOTE 11 - DEBT OBLIGATIONS

The County's outstanding debt at December 31, 2002, was as follows:

Vendor	Total	Interest
	Principal Amount	Rate
Ohio Public Works Commission Loans	\$275,326	0%
Tax Anticipation Notes	427,391	Various
General Obligation Notes	1,865,639	Various
Hospital Improvement Bonds, Series 2001	1,865,000	Various

Proceeds of the Ohio Public Works Commission (OPWC) loans were used for road resurfacing projects. The loans will be repaid in semi-annual installments of \$8,706 through 2019.

Initial proceeds from the Tax Anticipation Notes and General Obligation Notes were used for the construction of ditches, tax increment financing (TIF) projects, and various other capital projects.

Property owners receiving the benefit of the construction of a ditch are assessed over an eight year period for their portion of the construction in an amount determined by the County Engineer. Special assessments collected are applied to the outstanding notes. Special assessment ditch notes consist of both Tax Anticipation Notes and General Obligation Notes, and are reissued annually until the entire amount of the assessment has been collected.

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Tax increment financing (TIF) was used to fund various infrastructure projects. Written agreements between the County and local businesses who benefited from the improvements require the businesses to make service payments in lieu of taxes. The service payments are applied to the outstanding notes. TIF notes consist of both Tax Anticipation Notes and General Obligation Notes, and are reissued annually until the cost of the project has been recovered, not to exceed ten years.

Other capital projects funded by Tax Anticipation Notes and General Obligation Notes include building improvements; county annex renovations; human service building improvements; tractor purchase; and improvements to the fair board. These notes are re-issued annually until the costs of the projects have been recovered.

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

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

	Hospital Improvement Bonds	Tax Anticipation Notes	General Obligation Notes	OPWC Loan
2003	\$138,848	\$440,824	\$1,926,154	\$17,412
2004	137,723			17,412
2005	136,417			17,412
2006	139,955			17,412
2007	138,205			17,412
2008 and Thereafter	2,630,598			188,266
Total	\$3,321,746	\$440,824	\$1,926,154	\$275,326

NOTE 12 - PERMISSIVE SALES AND USE TAX

In 1984, the County Commissioners by resolution imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales and use tax, and renewed a resolution to levy an additional one-half percent for permissive sales and use tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited to the General Fund. Sales and use tax revenue for 2002 amounted to \$1,540,593.

NOTE 13 - CONTINGENT LIABILITIES

A. Litigation

Several claims and lawsuits involving the County are pending. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial statements.

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

NOTE 14 - COMPLIANCE

Ohio Administrative Code § 117-2-3b requires that the County prepare its annual financial report in accordance with generally accepted accounting principles. The County prepared its 2002 financial report on a basis of accounting formerly prescribed or permitted by the Auditor of State.

Ohio Rev. Code § 5705.42 requires that the County budget and post all grant money to the financial statements. The County did not post all monies spent on the County's behalf by the Ohio Public Works Commission and the Ohio Department of Transportation.

Ohio Revised Code § 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. Appropriations materially exceeded estimated revenue at year end in the following funds by the following amounts:

Fund	Estimated Revenue	Appropriations	Variance
Public Assistance	\$1,635,234	\$2,207,042	(\$571,808)
EMA	63,472	83,478	(20,006)
WMEA	43,834	50,000	(6,166)
Jail Diversion	76,272	76,619	(347)
Sheriff Fees	1,576	3,000	(1,424)
CDBG	24,205	25,520	(1,315)
Homeland Security		22,490	(22,490)
Hospital Bond Retirement	252,275	2,033,725	(1,781,450)
Stoller TIF II	15,413	17,000	(1,587)
Cooper TIF	80,379	83,223	(2,844)
Schlinderink Dairy TIF	126,025	131,602	(5,577)
White Oak Sow TIF	145,222	180,027	(34,805)
Defiance-Paulding Joint Sewer	211,783	225,332	(13,549)
Hosier Hog		3,250	(3,250)
County Projects	4,236	50,000	(45,764)
Fairboard Debt	6,500	7,500	(1,000)
Revolving Loan		73,000	(73,000)

Ohio Revised Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The legally adopted appropriations were different than the posted appropriations in the following funds:

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Variance</u>
General	\$4,569,756	\$4,596,349	(\$26,593)
Dog and Kennel	48,919	51,919	(3,000)
Motor Vehicle Gas Tax	3,583,138	3,925,064	(341,926)
MRDD	1,925,000	2,019,500	(94,500)
Certificate of Title	81,845	85,945	(4,100)
DARE	18,492	19,492	(1,000)
Felony Delinquent Care	78,879	135,856	(56,977)
Homeland Security	22,490	4,490	18,000
Stoller TIF II	17,000	237,000	(220,000)
Jail Construction		91,771	(91,771)
Defiance-Paulding Joint Sewer	225,332	241,894	(16,562)
Hosier Hog	3,250	13,250	(10,000)
Hospital Bond	2,033,725		2,033,725

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the following funds by the following amounts:

<u>Fund</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
Dog and Kennel	\$48,919	\$50,145	(\$1,226)
MRDD	1,925,000	1,993,701	(68,701)
Certificate of Title	81,845	87,526	(5,681)
DARE	18,492	18,892	(400)
Sheriff Reserve	10,780	13,309	(2,529)
Hospital Bond Retirement	2,033,725	2,068,987	(35,262)
OPWC Issue II	275,000	790,928	(515,928)
Pharoah Ltd. TIF	35,990	38,178	(2,188)
CSEA Note		202,848	(202,848)
Human Services Debt	35,000	40,296	(5,296)
Gasser Road TIF		80,000	(80,000)
Jail Construction		359,427	(359,427)
Defiance-Paulding Joint Sewer	225,332	241,894	(16,562)
ODOT Bridge Fund		313,117	(313,117)

NOTE 15 – PRIOR PERIOD ADJUSTMENT

During 2001, unrestricted children home donations were erroneously recorded in an expendable trust fund rather than a special revenue fund..

The effects of the restatement are shown below:

PAULDING COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Special Revenue Fund balance of as previously reported, December 31, 2001	\$2,653,230
2001 donations previously reported in the Expendable Trust Fund	269,817
Special Revenue Fund balance as restated at January 1, 2002	<u>\$2,923,047</u>
Excess Cash Receipts over Cash Disbursement as previously stated in the Special Revenue Funds as of December 31, 2001	(\$933,687)
Change in the Excess Cash Receipt over Cash Disbursement for the Special Revenues Funds as of December 31, 2001	269,817
Excess Cash Receipts over Cash Disbursement as restated in the Special Revenue Funds as of December 31, 2001	<u>(\$663,870)</u>
Expendable Trust Fund balance of as previously reported, December 31, 2001	\$340,531
2001 donations previously reported in the Expendable Trust Fund	(269,817)
Expendable Trust Fund balance as restated at January 1, 2002	<u>\$70,714</u>
Excess Cash Receipts over Cash Disbursement as previously stated in the Expendable Trust Funds as of December 31, 2001	\$258,387
Change in the Excess Cash Receipt over Cash Disbursement for the Expendable Trust Funds as of December 31, 2001	(269,817)
Excess Cash Receipts over Cash Disbursement as restated in the Expendable Trust Funds as of December 31, 2001	<u>(\$11,430)</u>

PAULDING COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	-	10.553	\$1,076
National School Lunch Program	-	10.555	1,707
Total Child Nutrition Cluster			<u>2,783</u>
<i>Passed Through Ohio Job and Family Services:</i>			
Stop Welfare Fraud	-	10.561	2,003
Total U.S. Department of Agriculture			<u>4,786</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States (Title VI-B)	066183-6B-SF-02P	84.027	6,986
Special Education - Preschool Grant	066183-PG-03	84.173	1,596
Total Special Education Cluster			<u>8,582</u>
<i>Passed Through Ohio Department of Health:</i>			
Special Education Grants for Infants and Families with Disabilities (Early Intervention)	63-1-02-F-AN-392	84.181	69,325
	63-1-03-F-AN-392	84.181	15,148
			<u>84,473</u>
Total U.S. Department of Education			<u>93,055</u>
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE			
<i>Passed Through Ohio Department of Emergency/ Management Disaster Assistance:</i>			
Federal Emergency Management Agency - Special Project	OH-02-028HM	83.552	11,875
Total U.S. Department of Federal Emergency Management Disaster Assistance			<u>11,875</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Health:</i>			
Social Services Block Grant (Title XX)	-	93.667	14,724
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Medical Assistance Program (Medicaid: Title XIX)	-	93.778	74,901

(Continued)

PAULDING COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Job and Family Services:</i>			
Child Welfare Subsidy (Title IV-B)	63-6010-02	93.645	21,002
Child Welfare Subsidy (Title IV-B)	63-6010-03	93.645	18,031
ESSA Family Preservation	63-6400-02	93.645	1,331
ESSA Family Preservation	63-6400-03	93.645	339
ESSA Family Reunification	63-6401-02	93.645	5,449
ESSA Family Reunification	63-6401-03	93.645	345
Total			<u>46,497</u>
Chaffee	63-6018-02	93.674	434
Basic Child Abuse and Neglect	20-6150-01	93.669	1,788
Total U.S. Department of Health and Human Services			<u>138,344</u>
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Ohio Job and Family Services:</i>			
<u>Workforce Investment Act Cluster:</u>			
Workforce Investment Act - Adult - FY'02		17.258	21,034
Workforce Investment Act - Adult - FY'03		17.258	24,902
Workforce Investment Act - Adult Administrative		17.258	18,010
Workforce Investment Act - Adult Total			<u>63,946</u>
Workforce Investment Act - Youth - FY'01		17.259	32,443
Workforce Investment Act - Youth - FY'02		17.259	24,236
Workforce Investment Act - Youth Administrative		17.259	21,950
Workforce Investment Act - Youth Total			<u>78,629</u>
Workforce Investment Act - Dislocated - FY'01	-	17.260	3,366
Workforce Investment Act - Dislocated - FY'02		17.260	21,277
Workforce Investment Act - Dislocated - FY'03		17.260	16,538
Workforce Investment Act - Dislocated Administrative		17.260	16,321
Workforce Investment Act - Dislocated Total			<u>57,502</u>
Total U.S. Department of Labor - Workforce Investment Act Cluster			<u>200,077</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Engineer's Association:</i>			
Highway Planning and Construction	02N027	20.205	62,487
Highway Planning and Construction	02N026	20.205	193,975
Highway Planning and Construction	02N114	20.205	60,950
Highway Planning and Construction	01N124	20.205	101,208
Total U.S. Department of Transportation			<u>418,620</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Home Investment Partnerships Program (Chip)	B-C-00-058-2	14.239	162,753

(Continued)

PAULDING COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

FEDERAL GRANTOR	Pass Through	Federal	
<i>Pass Through Grantor</i>	Entity	CFDA	
Program Title	Number	Number	Disbursements
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant (Chip)	B-C-00-058-1	14.228	140,954
Community Development Block Grant (Formula)	B-F-00-058-1	14.228	31,750
Community Development Block Grant - (Formula)	B-F-01-058-1	14.228	72,288
Community Development Block Grant - (Economic Development)	B-E-00-058-1	14.228	114,190
Community Development Block Grant (Chip)	B-M-00-058-2	14.228	5,000
Total Community Development Block Grant			<u>364,182</u>
Total U.S. Department of Housing and Urban Development			<u>526,935</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Office of Criminal Justice Services:</i>			
Byrne Memorial: Homeland Security	01-DG-H01-7626	16.579	13,832
Victims of Crimes Act Grant	01-VAG-ENE-325	16.575	23,117
	02-VAG-ENE-325	16.575	7,473
Total Victims of Crimes Act Grant			<u>30,590</u>
Total U.S. Department of Justice			<u>44,422</u>
Total			<u>\$1,438,114</u>

The accompanying notes are an integral part of this schedule.

PAULDING COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2002, the gross amount of loans outstanding under this program was \$595,872.

NOTE D - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Paulding County
115 N. Williams Street
Paulding, OH 45879-1284

To the Board of Commissioners:

We have audited the financial statements of Paulding County (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated July 14, 2003, in which we noted that the County prepares its financial statements, except for the Paulding County Hospital, the County's Enterprise Fund Type, on the basis of accounting other than that prescribed by the Ohio Administrative Code § 117-2-03(B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated July 14, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Paulding County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-006 and 2002-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 14, 2003.

This report is intended for the information and use of the audit committee, management, Board of Commissioners, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 14, 2003



Auditor of State Betty Montgomery

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

Paulding County
115 N. Williams Street
Paulding, OH 45879-1284

To the Board of Commissioners:

Compliance

We have audited the compliance of Paulding County (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 are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. However, the results of our auditing procedures also disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item 2002-008. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the County in a separate letter dated July 14, 2003.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2002-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended for the information and use of the audit committee, management, Board of Commissioners, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 14, 2003

PAULDING COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster CFDA #17.258 CFDA #17.259 CFDA #17.260 Highway Planning and Construction, CFDA #20.205 Community Development Block Grant, CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, with the exception of the Paulding County Hospital, the County's Enterprise Fund Type, the County prepares its financial statements in accordance with standards established by the Auditor of State for government entities not required to prepare annual reports in accordance with generally accepted accounting principles. With the exception of the Enterprise Fund Type, the accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Revised Code § 5705.42 states that when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision and is deemed in process of collection within the meaning of § 5705.41 of the Revised Code.

Ohio Public Works Commission funds in the amount of \$787,807 and Ohio Department of Transportation (ODOT) funds in the amount of \$1,093,182 were paid directly to contractors on behalf of the County for projects in 2002. This activity was not originally reported on the County's financial statements. Receipts and disbursements were understated in the Capital Projects fund type by \$1,100,924 and in the Agency fund type by \$780,065. Adjustments have been made to record this activity on the financial statements.

We recommend the County comply with Auditor of State Bulletin 2000-08 and contact the County Engineer and the Contractor to obtain the amount of the Issue II, O.D.O.T., and Ohio Public Works Commission money designated to the County. These amounts should be budgeted and posted to the County books.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Revised Code § 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. Appropriations materially exceeded estimated revenue at year end in the following funds by the following amounts:

**FINDING NUMBER 2002-003
 (Continued)**

<u>Fund</u>	<u>Estimated Revenue</u>	<u>Appropriations</u>	<u>Variance</u>
Public Assistance	\$1,635,234	\$2,207,042	(\$571,808)
EMA	63,472	83,478	(20,006)
WMEA	43,834	50,000	(6,166)
Jail Diversion	76,272	76,619	(347)
Sheriff Fees	1,576	3,000	(1,424)
CDBG	24,205	25,520	(1,315)
Homeland Security	-	22,490	(22,490)
Hospital Bond Retirement	252,275	2,033,725	(1,781,450)
Stoller TIF II	15,413	17,000	(1,587)
Cooper TIF	80,379	83,223	(2,844)
Schlinderink Dairy TIF	126,025	131,602	(5,577)
White Oak Sow TIF	145,222	180,027	(34,805)
Defiance-Paulding Joint Sewer	211,783	225,332	(13,549)
Hosier Hog	-	3,250	(3,250)
County Projects	4,236	50,000	(45,764)
Fairboard Debt	6,500	7,500	(1,000)
Revolving Loan		73,000	(73,000)

Appropriations in excess of estimated resources may result in deficit spending. We recommend that appropriations be reviewed by County officials to ensure that they do not exceed estimated resources.

FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Revised Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The legally adopted appropriations were different than the posted appropriations in the following funds:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Variance</u>
General	\$4,569,756	\$4,596,349	(\$26,593)
Dog and Kennel	48,919	51,919	(3,000)
Motor Vehicle Gas Tax	3,583,138	3,925,064	(341,926)
MRDD	1,925,000	2,019,500	(94,500)
Certificate of Title	81,845	85,945	(4,100)
DARE	18,492	19,492	(1,000)
Felony Delinquent Care	78,879	135,856	(56,977)
Homeland Security	22,490	4,490	18,000
Stoller TIF II	17,000	237,000	(220,000)
Jail Construction	-	91,771	(91,771)
Defiance-Paulding Joint Sewer	225,332	241,894	(16,562)
Hosier Hog	3,250	13,250	(10,000)
Hospital Bond	2,033,725	-	2,033,725

**FINDING NUMBER 2002-004
 (Continued)**

This is evidence that changes were made to the legally adopted budget for which there is no documentary evidence of approval by the Commissioners. We recommend that the County only post appropriation measures after they have been approved by the County Commissioners.

FINDING NUMBER 2002-005

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the following funds by the following amounts:

<u>Fund</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
Dog and Kennel	\$48,919	\$50,145	(\$1,226)
MRDD	1,925,000	1,993,701	(68,701)
Certificate of Title	81,845	87,526	(5,681)
DARE	18,492	18,892	(400)
Sheriff Reserve	10,780	13,309	(2,529)
Hospital Bond Retirement	2,033,725	2,068,987	(35,262)
OPWC Issue II	275,000	790,928	(515,928)
Pharoah Ltd. TIF	35,990	38,178	(2,188)
CSEA	-	202,848	(202,848)
Human Services Debt	35,000	40,296	(5,296)
Gasser Road TIF	-	80,000	(80,000)
Jail Construction	-	359,427	(359,427)
Defiance-Paulding Joint Sewer	225,332	241,894	(16,562)
ODOT Bridge Fund	-	313,117	(313,117)

Expenditures in excess of appropriations may result in deficit spending. We recommend that expenditures and appropriations be frequently reviewed by management and the necessary adjustments be made to prevent expenditures from exceeding appropriations. These adjustments should be formally approved by the Commissioners in the minutes and the County Auditor should only make amendments to the computerized appropriations ledger based on these formally documented approvals.

FINDING NUMBER 2002-006

Reportable Condition - Amended Certificates of Estimated Resources

Sound accounting practices provide that budgeted revenues posted to the County ledgers be based on amounts formally reviewed and approved by the Commissioners. Twenty-eight funds did not have estimated revenues properly posted to the County's ledgers to reflect the amounts on the Amended Certificates formally approved by the Budget Commission. Variances between approved and posted estimates of revenues ranged from \$75 to \$4,246,238 per fund. This may have caused appropriations to exceed estimated resources in several funds. We recommend that estimated revenue amounts posted to the County's ledgers be reconciled with the amounts officially approved on the Amended Certificates of Estimated Resources.

FINDING NUMBER 2002-007

Reportable Condition - Transfers

Total transfers-in did not reconcile to total transfers-out on the financial statements. There were several transfer line items in the County's General fund which were not reported as transfers on the financial statements. There were eight transfers that were posted to the incorrect line item. There were also other revenue and disbursement transactions that were misclassified as transfers-in and transfers-out. Sixteen adjustments were made to properly report transfers on the financial statements. In order to ensure that transfers are properly reflected on the financial statements, we recommend that separate transfer line items be established and easily identified in each fund. In addition, we recommend that prior to submission, the financial statements be reviewed to ensure that transfers-in reconcile to transfers-out.

3. FINDING FOR FEDERAL AWARDS

Noncompliance and Reportable Condition: Subrecipient Monitoring

Finding Number	2002-008
CFDA Title and Number	Workforce Investment Act, CFDA #17.258-17.260
Federal Award Number / Year	January 1 to December 31, 2002
Federal Agency	U.S. Department of Labor
Pass - Through Agency	Ohio Department of Job and Family Services

Section 667.410 of the Federal Regulations states each recipient and Subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to:

1. Determine that expenditures have been made against the cost categories and within the cost limitations specified in the Act and these regulations;
2. Determine whether or not there is compliance with other provisions of the Act and these regulations and other applicable laws and regulations; and
3. Provide technical assistance as necessary and appropriate.

The County Job and Family Services Department did not have a subrecipient agreement with Defiance County or the Northwest Ohio Workforce Development Agency (NOWDA, an agency of Defiance County). We recommend a subrecipient agreement be created to ensure compliance with the requirements applicable to the Federal program including the audit requirements of OMB Circular A-133.

PAULDING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

OMB CIRCULAR A -133 §.315(b)

DECEMBER 31, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-60623-001	Ohio Administrative Code § 117-2-3b - The County did not prepare its financial statements in accordance with generally accepted accounting principles.	No	Not corrected. County officials believe that the cost of preparing financial statements in accordance with generally accepted accounting principles outweighs the benefits. Reissued as finding 2002-001.
2001-60623-002	Ohio Revised Code § 5705.39 - Appropriations exceeding estimated resources	No	Not corrected. Reissued as finding 2002-003.
2001-60623-003	Ohio Revised Code § 5705.41(D) - Improper certification of expenditures	Yes	
2001-60623-004	Ohio Revised Code § 133.22 - Certification of bond proceeds.	Yes	
2001-60623-005	Ohio Revised Code § 135.18 - Collateralization of bank deposits.	No	Partially corrected. This matter is reported in the Management Letter.
2001-60623-006	Reportable Condition on Estimated Resources not being updated to the County's revenue ledgers	No	Not corrected. Reissued as finding 2002-006.
2001-60623-007	Section 667.300(C)(3) of the Federal Regulations - Reporting financial information on the accrual basis of accounting.	Yes	
2001-60623-008	29 CFR 97.20(b)(7) - Procedures for advances and drawdowns.	Yes	
2001-60623-009	Section 667.410 of the Federal Regulations - Oversight and monitoring of the Workforce Investment Act activity.	No	Not corrected. Reissued as finding 2002-008.



**Auditor of State
Betty Montgomery**

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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, 2003**