



Mary Taylor, CPA
Auditor of State

VILLAGE OF PAULDING
PAULDING COUNTY

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Mary Taylor, CPA Auditor of State

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

To the Village Council:

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

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

Mary Taylor, CPA
Auditor of State

May 6, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Paulding, Paulding County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Paulding, Paulding County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As further described in Note 2 to the financial statements, the Village reclassified its fiduciary fund to a permanent fund type in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement 34.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

May 6, 2008

**VILLAGE OF PAULDING
GAGAS 2006 AND 2007**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$137,339	\$295,578	\$112,395			\$545,312
Municipal Income Tax	454,194					454,194
Intergovernmental	145,925	269,135	11,588	\$150,283		576,931
Charges for Services	10,418	180,913				191,331
Fines, Licenses and Permits	24,651	2,875		5,352		32,878
Earnings on Investments	19,944	2,704			\$4	22,652
Miscellaneous	70,688	9,685		903		81,276
Total Cash Receipts	863,159	760,890	123,983	156,538	4	1,904,574
Cash Disbursements:						
Current:						
Security of Persons and Property	62,914	481,642				544,556
Public Health Services	21,450					21,450
Leisure Time Activities	34,557	79,973				114,530
Community Environment	7,339					7,339
Basic Utility Service	5,962					5,962
Transportation	4,870	131,952				136,822
General Government	194,493					194,493
Debt Service:						
Redemption of Principal			459,800			459,800
Interest and Fiscal Charges			6,225			6,225
Capital Outlay	5,412			158,502		163,914
Total Cash Disbursements	336,997	693,567	466,025	158,502		1,655,091
Total Cash Receipts Over/(Under) Cash Disbursements	526,162	67,323	(342,042)	(1,964)	4	249,483
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes			340,000			340,000
Transfers-In		90,000				90,000
Transfers-Out	(420,229)					(420,229)
Total Other Financing Receipts / (Disbursements)	(420,229)	90,000	340,000			9,771
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	105,933	157,323	(2,042)	(1,964)	4	259,254
Fund Cash Balances, January 1	571,868	707,323	42,828	20,907	1,602	1,344,528
Fund Cash Balances, December 31	\$677,801	\$864,646	\$40,786	\$18,943	\$1,606	\$1,603,782
Reserve for Encumbrances, December 31	\$28,426	\$30,610				\$59,036

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$909,543	\$59,000	\$968,543
Fines, Licenses and Permits	4,023		4,023
Miscellaneous	87,017	78,069	165,086
Total Operating Cash Receipts	<u>1,000,583</u>	<u>137,069</u>	<u>1,137,652</u>
Operating Cash Disbursements:			
Personal Services	516,664	204,991	721,655
Contractual Services	347,084		347,084
Supplies and Materials	54,836		54,836
Capital Outlay	821,881	18,036	839,917
Other		2,448	2,448
Total Operating Cash Disbursements	<u>1,740,465</u>	<u>225,475</u>	<u>1,965,940</u>
Operating Loss	<u>(739,882)</u>	<u>(88,406)</u>	<u>(828,288)</u>
Non-Operating Cash Receipts:			
Intergovernmental	294,138	106,314	400,452
Special Assessments	5,624		5,624
Earnings on Investments			
Sale of Notes	1,145,000		1,145,000
Other Debt Proceeds		6,408	6,408
Total Non-Operating Cash Receipts	<u>1,444,762</u>	<u>112,722</u>	<u>1,557,484</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	760,830	13,993	774,823
Other Non-Operating Cash Disbursements	9,851	7,878	17,729
Total Non-Operating Cash Disbursements	<u>770,681</u>	<u>21,871</u>	<u>792,552</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	(65,801)	2,445	(63,356)
Transfers-In	330,229		330,229
Net Receipts Over Disbursements	264,428	2,445	266,873
Fund Cash Balances, January 1	667,423	14,411	681,834
Fund Cash Balances, December 31	<u>\$931,851</u>	<u>\$16,856</u>	<u>\$948,707</u>
Reserve for Encumbrances, December 31	<u>\$90,132</u>	<u>\$4,068</u>	<u>\$94,200</u>

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$145,585	\$314,182	\$119,228			\$578,995
Municipal Income Tax	454,525					454,525
Intergovernmental	88,339	246,844	11,448	\$121,742		468,373
Charges for Services	8,750	187,773				196,523
Fines, Licenses and Permits	25,072	2,902		5,044		33,018
Earnings on Investments	69,241	1,117			\$1	70,359
Miscellaneous	24,427	9,516		100		34,043
Total Cash Receipts	815,939	762,334	130,676	126,886	1	1,835,836
Cash Disbursements:						
Current:						
Security of Persons and Property	142,050	460,812				602,862
Public Health Services	26,172				12	26,184
Leisure Time Activities	25,310	98,452				123,762
Community Environment	6,389					6,389
Basic Utility Service	8,242					8,242
Transportation	10,777	241,745				252,522
General Government	275,691					275,691
Debt Service:						
Redemption of Principal			570,000			570,000
Interest and Fiscal Charges			29,075			29,075
Capital Outlay				121,742		121,742
Total Cash Disbursements	494,631	801,009	599,075	121,742	12	2,016,469
Total Cash Receipts Over/(Under) Cash Disbursements	321,308	(38,675)	(468,399)	5,144	(11)	(180,633)
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Other Debt Proceeds			440,000			440,000
Transfers-In		50,000				50,000
Transfers-Out	(374,426)					(374,426)
Other Financing Uses				(772)		(772)
Total Other Financing Receipts / (Disbursements)	(374,426)	50,000	440,000	(772)		114,802
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(53,118)	11,325	(28,399)	4,372	(11)	(65,831)
Fund Cash Balances, January 1	624,986	695,998	71,227	16,535	1,613	1,410,359
Fund Cash Balances, December 31	\$571,868	\$707,323	\$42,828	\$20,907	\$1,602	\$1,344,528
Reserve for Encumbrances, December 31	\$11,909	\$4,264				\$16,173

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Charges for Services	\$839,056	\$58,500	\$897,556
Fines, Licenses and Permits	3,200	9,557	12,757
Miscellaneous	49,258	2,871	52,129
Total Operating Cash Receipts	891,514	70,928	962,442
Operating Cash Disbursements:			
Personal Services	436,645	57,210	493,855
Contractual Services	317,797		317,797
Supplies and Materials	53,311		53,311
Capital Outlay	147,337	45,958	193,295
Other		2,176	2,176
Total Operating Cash Disbursements	955,090	105,344	1,060,434
Operating Loss	(63,576)	(34,416)	(97,992)
Non-Operating Cash Receipts:			
Intergovernmental		46,958	46,958
Special Assessments	6,487		6,487
Sale of Notes	625,000	6,408	631,408
Miscellaneous Receipts	9,370		9,370
Total Non-Operating Cash Receipts	640,857	53,366	694,223
Non-Operating Cash Disbursements:			
Redemption of Principal	726,142	8,980	735,122
Interest and Other Fiscal Charges	24,731	1,324	26,055
Other Non-Operating Cash Disbursements	9,208	7,381	16,589
Total Non-Operating Cash Disbursements	760,081	17,685	777,766
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(182,800)	1,265	(181,535)
Transfers-In	368,515		368,515
Transfers-Out	(44,089)		(44,089)
Net Receipts Over Disbursements	141,626	1,265	142,891
Fund Cash Balances, January 1	525,797	13,146	538,943
Fund Cash Balances, December 31	\$667,423	\$14,411	681,834
Reserve for Encumbrances, December 31	\$33,659	\$193	33,852

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in the Ohio Municipal Joint Self Insurance Pool. Note 10 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Cash and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2. Special Revenue Funds

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

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

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

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

Pool Maintenance Fund – This fund receives property tax money paid by Village residents to operate and maintain the Village swimming pool.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund.

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

4. Capital Project Funds

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

Multiple Street Improvements – This fund is used track Ohio Public Works Commission (OPWC) and Issue 2 monies issued for improvements made to the Village's streets.

Electric Generator – This fund was used to track OPWC Issue 2 monies issued for the Water Treatment Plant's electric generator.

Water Treatment Plant Construction – This fund is used to track Ohio Water Development Authority (OWDA) loan monies received to fund the pre-construction phase of our new Water Treatment Plant.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

5. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the village's programs. The village had the following significant permanent fund:

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

6. Enterprise Funds

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

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Water Capital Improvement Fund – This fund receives monies primarily from the Village's bond issue to cover the cost of capital improvements to various water projects.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

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

7. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for organizations, or other governments. The Village disburses these funds as directed by the organization or other government. The Village had the following significant Agency Funds:

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

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. ACCOUNTING CHANGE

In 2006, the Village reclassified its cemetery trust fund which was previously classified as a fiduciary fund to a permanent fund. The reclassification was in accordance with GASB Statement number #34. The reclassification had the following effect on the January 1, 2006, fund balances:

	Permanent Fund	Fiduciary Funds
Cash Fund balance as previously reported, December 31, 2005		\$1,613
Fund Reclassification	\$1,613	(1,613)
Cash Fund Balance, as restated at January 1, 2006	\$1,613	

3. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$1,141,145	\$615,599
Certificates of deposit	1,411,344	1,410,763
Total deposits	\$2,552,489	\$2,026,362

At December 31, 2007 and 2006, the Village had \$500 in undeposited cash on hand which is included as part of demand deposits.

Deposits are insured by the Federal Depository Insurance Corporation, surety bonds obtained by the financial institution, or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$815,937	\$863,159	\$47,222
Special Revenue	879,626	850,890	(28,736)
Debt Service	567,924	463,983	(103,941)
Capital Projects	156,124	156,538	414
Enterprise	2,488,627	2,775,574	286,947
Permanent	2	4	2
Total	\$4,908,240	\$5,110,148	\$201,908

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$928,909	\$785,652	\$143,257
Special Revenue	1,024,714	724,177	300,537
Debt Service	470,000	466,025	3,975
Capital Projects	170,980	158,502	12,478
Enterprise	2,822,840	2,601,278	221,562
Permanent	20	20	20
Total	\$5,417,463	\$4,735,634	\$681,829

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$700,214	\$815,939	\$115,725
Special Revenue	728,090	812,334	84,244
Debt Service	561,725	570,676	8,951
Capital Projects	129,243	126,886	(2,357)
Enterprise	2,064,293	1,900,886	(163,407)
Permanent	2	1	(1)
Total	\$4,183,567	\$4,226,722	\$43,155

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$917,000	\$880,966	\$36,034
Special Revenue	1,046,172	805,273	240,899
Debt Service	470,000	599,075	(129,075)
Capital Projects	181,900	122,514	59,386
Enterprise	2,552,180	1,792,919	759,261
Permanent	20	12	8
Total	\$5,167,272	\$4,200,759	\$966,513

5. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. LOCAL INCOME TAX

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

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. DEBT

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$248,620	4.50%
Ohio Water Development Authority Loan	508,920	4.62% to 6.35%
Bond Anticipation Notes	1,485,000	5.00% to 6.11%
Total	\$2,242,540	

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

The Ohio Water Development Authority (OWDA) loans were entered into as cooperative agreements for the construction, maintenance, and operation of water and sewer development projects. Loan #3031 (formally #4020), which had its first installment due January 1, 1997, will be repaid in semiannual installments of \$1,467, including interest, over 20 years. Loan #3367, which had its first installment due January 1, 2003, will be repaid in semiannual installments of \$30,171 over the next five (5) years, including interest, with the remaining principal balance being rolled over into a long term-construction loan.

OWDA has approved an additional loan for the Village. (#4683). This loan has not been finalized, and a loan repayment schedule has not been established. This loan is being used to disburse the constructing, engineering and technical services related to the construction of a new water treatment facility. As of December 31, 2007 the Village obligation for loan (#4683) including capitalized interest was \$76,606.

The Village issued bond anticipation notes for such projects as improving the water treatment plan; Gasser Road water and sewer improvements; and Village water and sewer improvements. The bond anticipation notes are one-year renewals with a maturity date of May 25, 2008, and in interest rate of 4.50%.

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. DEBT – (CONTINUED)

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

Year ending December 31:	<u>OPWC Loans</u>	<u>OWDA Loans</u>	<u>Bond Anticipation Notes</u>
2008	\$42,866	\$63,276	\$1,156,908
2009	42,866	63,276	
2010	42,866	63,276	
2011	42,866	63,276	
2012	42,866	63,276	
2013 – 2017	77,875	251,636	
Total	<u>\$292,205</u>	<u>\$568,016</u>	<u>\$1,156,908</u>

8. VILLAGE LEASES

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

Future minimum lease payments are scheduled as follows:

<u>Year Ending December 31:</u>	<u>Leases</u>
2008	\$24,830
2009	24,051
2010	17,262
2011	13,822
Total	<u>\$79,965</u>

9. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 9.0 percent of their wages in 2006 and 9.5 percent in 2007. The Village contributed an amount equal to 13.70 percent of participants' gross salaries in 2006 and 13.85 percent in 2007. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. RISK MANAGEMENT

Risk Pool Membership

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

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

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005 (the latest information available):

	<u>2006</u>	<u>2005</u>
Assets	\$2,331,284	\$ 2,241,661
Liabilities	<u>(3,130,475)</u>	<u>(3,457,720)</u>
Accumulated deficit	<u>(\$799,191)</u>	<u>(\$1,216,059)</u>



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Paulding, Paulding County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 6, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and reclassified its fiduciary fund to a permanent fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-002

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

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

We also noted certain matters that we reported to the Village's management in a separate letter dated May 6, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 6, 2008.

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

We intend this report solely for the information and use of the finance committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 6, 2008

**VILLAGE OF PAULDING
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

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

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

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

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

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

**FINDING NUMBER 2007-001
(Continued)**

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

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

Official's Response

Management does not disagree with this finding and has implemented corrective procedures regarding the certification of expenditures.

FINDING NUMBER 2007-002

Significant Deficiency - Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments:

1. The Mayor's Court activity was accounted for in an agency fund. In 2006, distributions from this fund to other Village Funds (Mayor's Court Computer Fund, Police Fund and Parks Improvement Fund) were recorded as transfers. These transactions should have recorded as general government disbursements in the Mayor's Court Agency Fund \$7,381 and Fines, Licenses and Permit revenues in the Mayor's Court Computer Fund, \$963, Police Fund, \$1,374 and Parks Improvement Fund, \$5,044. In 2007, distributions made from the Mayor's Court Agency Fund to the Mayor's Court Computer Fund, \$1,000 and Police Fund \$1,526 were recorded at transfers in the receiving funds instead of Fines, Licenses and Permit revenues.
2. Ohio Public Works Commission grant disbursements in the Multi-Street Improvement Fund, \$111,900 and Electric Generator Fund, \$9,842 were classified as other financing uses instead of capital outlay.
3. In 2006, Loan payments made from the Paulding County Fire Association Fund were classified as securities of persons and property, \$10,304 instead of redemption of principal, \$8,980 and interest and other fiscal charges, \$1,324.

**FINDING NUMBER 2007-002
(Continued)**

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk/Treasurer and the audit committee, to identify and correct errors and omissions. In addition, the Clerk/Treasurer should also review the Uniform Accounting Network's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Official's Response

Management will attempt to implement corrective procedures regarding the presentation of its financial statements.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC §5705.41(D) Disbursements not certified by the Village.	No	Not Corrected - Reissued as Finding 2007-001
2005-002	ORC §5705.36(A), (2) (4) and ORC §5705.39. Total Appropriations exceeded Actual Resources and Estimated Resources.	No	Partially Corrected. - Reissued as a management letter citation.
2005-003	ORC §5705.41(B), Disbursements exceeded appropriations.	No	Partially Corrected. - Reissued as a management letter citation
2005-004	Accounting for Pool Revenues.	No	Partially Corrected, - Reissued as a management letter comment.



Mary Taylor, CPA
Auditor of State

VILLAGE OF PAULDING

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 3, 2008**