



Dave Yost • Auditor of State

PAULDING COUNTY
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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The financial statements do not include financial data for the Paulding County Hospital, the County's legally separate blended component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported as a business-type activity with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that includes the component unit's financial data. The County has not issued such reporting entity financial statements. We cannot determine the amounts of assets, liabilities, net assets, revenues, and expenses that the accompanying statements should present for the omitted business-type activities and major enterprise fund statements for the Paulding County Hospital in order to comply with accounting principles generally accepted in the United States of America.

In our opinion, because of the omission of the legally separate blended component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 2, the financial position of the business-type activities or major enterprise funds of Paulding County, Ohio, as of December 31, 2010 and its changes in cash financial position for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding County, Ohio, as of December 31, 2010, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle Gasoline Tax, and Paulding County Board of Developmental Disabilities (PCBDD) funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2011, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The federal awards expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

August 31, 2011

PAULDING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED

The discussion and analysis of Paulding County's (the County) financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2010 are as follows:

- In total, net cash assets increased \$804,114 which represents a 12.7% increase over fiscal year 2009.
- The 2010 General fund revenue exceeded expenditures by \$318,396 which represents a 31.4% increase over fiscal year 2009. The 2010 general fund beginning cash balance was \$1,013,144 whereas the ending cash balance was \$1,331,540.
- The County's major funds included the General, Motor Vehicle Gasoline Tax, and Paulding County Board of Developmental Disabilities (PCBDD) funds.

Using the Basic Financial Statements

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

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

Report Components

The Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances.

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

Basis of Accounting

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

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

PAULDING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Reporting the County as Whole

Statement of Net Assets and Statement of Activities

The Statement of Net Asset-Cash Basis and Statement of Activities-Cash Basis reflect how the County did financially during fiscal year 2010. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

PAULDING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Fund financial statements provide detailed information about the County's major funds. While the County uses many funds to account for its financial transactions, the fund financial statement focus is on the County's most significant funds. The County's major funds are the General, Motor Vehicle Gasoline Tax, and Paulding County Board of Developmental Disabilities (PCBDD) funds.

Governmental Funds

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

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

Table 1 provides a summary of the County's net assets for 2010 compared to the prior year.

PAULDING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Table 1
Net Assets- Cash Basis
Governmental Activities

	2010	2009
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$7,140,005	\$6,335,891
Net Assets:		
Restricted	5,808,465	5,322,747
Unrestricted	1,331,540	1,013,144
Total Net Assets	\$ 7,140,005	\$ 6,335,891

Net cash assets of governmental activities increased \$804,114 which represents a 12.7% increase over fiscal year 2009. The increase in net assets is the result of a 16.5% increase in charges for services and an 18.7% increase in intergovernmental revenues primarily due to an Ohio Department of Transportation (ODOT) reimbursement for repairs to County roads resulting from the State Route 24 construction project. Overall expenditures only increased 2.9% from 2009.

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

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$2,877,991	\$2,470,917
Operating Grants and Contributions	7,539,682	7,730,508
Capital Grants and Contributions	<u>2,190,933</u>	<u>469,148</u>
Total Program Cash Receipts	<u>12,608,606</u>	<u>10,670,573</u>
Property Taxes	2,441,790	2,376,012
Sales Tax	1,460,405	1,342,197
Unrestricted Grants	569,130	494,657
Proceeds from Loans and the Sale of Notes	2,764,011	2,865,702
Miscellaneous Fees from the Sale of Notes	2,000	
Interest Receipts	161,035	232,574
Loan Repayments	90,882	96,605
Miscellaneous	<u>642,581</u>	<u>521,746</u>
Total General Cash Receipts	<u>8,131,834</u>	<u>7,929,493</u>
Total Cash Receipts	<u>20,740,440</u>	<u>18,600,066</u>
Cash Disbursements:		
General Government	2,623,377	2,749,341
Public Safety	1,962,408	1,899,831
Public Works	5,537,128	5,024,774
Health	81,687	187,719
Human Services	5,109,808	4,951,475
Economic promotion	333,205	233,893
Miscellaneous	435,540	591,411
Capital Outlay	684,895	416,442
Debt Service:		
Principal Retirement	2,995,592	3,119,010
Interest and Fiscal Charges	<u>172,686</u>	<u>178,816</u>
Total Cash Disbursements	<u>19,936,326</u>	<u>19,352,712</u>
Change in Net Cash Assets	804,114	(752,646)
Net Cash Assets at Beginning of Year	<u>6,335,891</u>	<u>7,088,537</u>
Net Cash Assets at End of Year	<u><u>\$7,140,005</u></u>	<u><u>\$6,335,891</u></u>

General government represents activities related to the governing body as well as activities that directly support County programs. In 2010, general government cash disbursements totaled \$2,623,377, or 13.2% of total governmental cash disbursements. General government Legislative and Executive programs were supported by \$1,276,928 in direct charges to users and operating grants and contributions.

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

The County program, Public Safety, accounted for \$1,962,408 or 9.8% of total governmental cash disbursements. Public Safety programs relate to police protection, emergency management services, and 911 services for County residents. Public Safety programs were supported by \$370,795 in direct charges to users and operating grants and contributions.

The County program, Public Works, accounted for \$5,537,128 or 27.8% of total governmental cash disbursements. Public Works programs relate to betterment of county roads and related infrastructure. Public Works programs were supported by \$6,343,235 in direct charges to users, operating grants and contributions, and capital grants and contributions.

The County program, Human Services, accounted for \$5,109,808 or 25.7% of total governmental cash disbursements. Human Services programs primarily include Job and Family Services related programs and the Paulding County Board of Developmental Disabilities (PCBDD). Human Service programs were supported by \$3,793,129 in direct charges to used and operating grants and contributions.

Debt Service payments accounted for \$3,168,278 or 15.8% of total governmental cash disbursements. Debt Service payments primarily represent the rollover and re-issuance of bond anticipation notes (BANs) relating to the construction of the County Jail. Debt Service payments are supported entirely by general revenues.

Governmental Activities

The Statement of Activities—Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2010. It identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

**Table 3
Governmental Activities- Cash Basis**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash Disbursements:				
General Government	\$2,623,377	\$2,749,341	\$1,095,843	\$1,367,542
Public Safety	1,962,408	1,899,831	1,591,613	1,560,136
Public Works	5,537,128	5,024,774	(806,107)	376,098
Health	81,687	187,719	(48,797)	78,817
Human Services	5,109,808	4,951,475	1,316,679	977,972
Economic Promotion	333,205	233,893	34,012	161,893
Miscellaneous	435,540	591,411	357,457	459,968
Capital Outlay	684,895	416,442	618,742	401,887
Debt Service:				
Principal Retirement	2,995,592	3,119,010	2,995,592	3,119,010
Interest and Fiscal Charges	172,686	178,816	172,686	178,816
Total Cash Disbursements	\$19,936,326	\$19,352,712	\$7,327,720	\$8,682,139

The dependence upon general cash receipts for governmental activities is apparent; with 36.7% of cash disbursements supported through taxes and other general cash receipts during 2010.

PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds reported a combined fund cash balance of \$7,140,005, which is \$804,114 above last year's total of \$6,335,891. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2010 and December 31, 2009, for all major and non-major governmental funds.

	<u>Fund Cash Balance at 12/31/10</u>	<u>Fund Cash Balance at 12/31/09</u>	<u>Increase (Decrease)</u>
Major Funds:			
General	\$1,331,540	\$1,013,144	\$318,396
Motor Vehicle Gasoline Tax	1,068,258	583,837	484,421
PCBDD	1,704,573	1,299,545	405,028
Other Nonmajor Governmental Funds	<u>3,035,634</u>	<u>3,439,365</u>	<u>(403,731)</u>
Total	<u>\$7,140,005</u>	<u>\$6,335,891</u>	<u>\$804,114</u>

The General fund is the main operating fund of the County. At the end of 2010, receipts of \$3,988,116 and disbursements and other financing uses of \$3,669,720 resulted in an increase of \$318,396 to General fund unreserved fund balance. The overall increase was the result of a 3.7% increase in revenues and a 4.5% decrease in disbursements from 2009.

The Motor Vehicle Gasoline Tax fund reported receipts of \$5,656,539 from gasoline tax, motor vehicle registration fees, an Ohio Department of Transportation (ODOT) reimbursement to repair county roads due to State Route 24 construction project, and other revenues with \$5,172,118 expended for road and bridge repairs and maintenance and debt principal payments. This resulted in an increase of \$484,421 in the Motor Vehicle Gasoline Tax unreserved fund balance. The increase in fund balance was attributed to 43.2% increase in overall revenues (primarily due to the ODOT reimbursement) even though overall expenditures increased 11.3% from 2009.

The Paulding County Board of Developmental Disabilities (PCBDD) fund reported \$2,308,967 in receipts and disbursements of \$1,903,939 which resulted in an increase of \$405,028 to the PCBDD's unreserved fund balance. The increase is primarily due to an overall increase in receipts over disbursements. Overall receipts only increased 1.7% from 2009; however, overall disbursements decreased 4.0%.

Budgetary Highlights

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

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

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Changes in estimated receipts and appropriations from original to final budget were not significant in the General and Paulding County Board of Developmental Disabilities (PCBDD) funds. In the Motor Vehicle Gasoline Tax fund, final estimated receipts increased 51.9% over original estimated receipts and final appropriations increased 37.7% overall original appropriations. The increases were due to the County receiving an Ohio Department of Transportation (ODOT) reimbursement to help repair County roads damaged due to the State Route 24 construction project.

For the General fund, actual receipts exceeded final estimated receipts by 11.1%. This was attributed to increases in charges for services, intergovernmental revenues, and investment income. Actual disbursements only exceeded final appropriations by 6.4%. In the Motor Vehicle Gasoline Tax fund, actual revenues only exceeded final estimated receipts by 2.4% while actual disbursements were 15.3% less than final appropriations. This was due to overestimating the amount of Public Work disbursements expended in 2010. For the Paulding County Board of Developmental Disabilities (PCBDD) fund, actual receipts only exceeded final estimated receipts by 3.0% while actual disbursements were 28.2% less than final appropriations. This was due to overestimating the amount of Human Services disbursements expended in 2010.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$684,895.

Debt Administration

The County had the following long-term debt obligations outstanding at December 31, 2010:

	Governmental Activities
Hospital Improvement Bonds	\$1,460,000
Ohio Department of Transportation SIB Loan	74,414
Ohio Water Development Authority Loans	824,462
Ohio Public Works Commission Loans	144,737
Total Long-Term Obligations	<u>\$2,503,613</u>

In addition, the County has general obligation and bond anticipation notes outstanding in the amounts of \$270,549 and \$1,626,000 respectively.

Economic Factors to be considered for the Future

Under the state of Ohio's Amended Substitute House Bill 66, personal property tax revenue will be phased out over a period of four years beginning with 2005. The loss of personal property tax revenue is having a negative impact on the general fund. The full effects of this has not been seen yet as the State is reimbursing a portion of the phased out personal property tax revenue. However, the State reimbursement dollars will now be phased out, with eventually being no reimbursement payments paid.

The voters of Paulding County approved a bond issue in 2006 and, along with a Bureau of Adult Detention grant, allowed for the financing of the construction of the new county jail. The new jail opened in 2007, however; a jail operating levy was not renewed by the voters and expired in tax year 2006 with collections ending in 2007. The expiration of the jail operating levy greatly increased the financial burden on the general fund. The decision was made to close the jail facility with the jail being officially closed in November of 2008 due to a lack of operating funds.

PAULDING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED

The County Commissioners went to the voters for an additional (new) county current expense levy in November of 2008 but the levy was overwhelmingly defeated. There have been no more levies placed on the ballot since November 2008. Prisoners are now transported to Van Wert County for housing.

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

Requests for Information

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

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PAULDING COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 7,140,005
Net Assets	
Restricted for:	
Debt Service	172,980
Capital Projects	260,192
Other Purposes	5,375,293
Unrestricted	1,331,540
<i>Total Net Assets</i>	<i>\$ 7,140,005</i>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u>	<u>Motor Vehicle Gas Tax</u>	<u>Paulding Board of Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets					
Equity in Pooled Cash and Cash	<u>\$ 1,331,540</u>	<u>\$1,068,258</u>	<u>\$ 1,704,573</u>	<u>\$ 3,035,634</u>	<u>\$ 7,140,005</u>
Fund Cash Balances					
Unreserved, Undesignated Reported					
General Fund	\$ 1,331,540				1,331,540
Special Revenue Funds		\$1,068,258	\$ 1,704,573	\$ 2,602,462	5,375,293
Debt Service Funds				172,980	172,980
Capital Projects Funds				260,192	260,192
<i>Total Fund Cash Balances</i>	<u>\$ 1,331,540</u>	<u>\$1,068,258</u>	<u>\$ 1,704,573</u>	<u>\$ 3,035,634</u>	<u>\$ 7,140,005</u>

ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENT

PAULDING COUNTY

STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Motor Vehicle Gasoline Tax	Paulding Board of Developmental Disabilities	Other Governmenta Funds	Total Governmental Funds
Cash Receipts					
Property Taxes	\$ 861,599		\$ 889,307	\$ 690,884	\$ 2,441,790
Sales Taxes	1,460,405				1,460,405
Charges for Services	725,425	\$ 240,071	438,814	1,095,143	2,499,453
Licenses and Permits	1,587			53,408	54,995
Fines and Forfeitures	47,114	26,478		14,476	88,068
Intergovernmental	569,130	5,388,120	937,845	3,404,650	10,299,745
Special Assessments				235,475	235,475
Investment Income	159,065	1,870		100	161,035
Loan Repayments				90,882	90,882
Other	163,791		43,001	371,498	578,290
<i>Total Cash Receipts</i>	<u>3,988,116</u>	<u>5,656,539</u>	<u>2,308,967</u>	<u>5,956,516</u>	<u>17,910,138</u>
Cash Disbursements					
Current:					
General Government:					
Legislative and Executive	1,445,194			463,044	1,908,238
Judicial	495,651			219,488	715,139
Public Safety	1,207,613			754,795	1,962,408
Public Works		5,163,412		373,716	5,537,128
Health	7,578			74,109	81,687
Human Services	211,609		1,903,939	2,994,260	5,109,808
Economic Promotion				333,205	333,205
Miscellaneous	242,369			178,550	420,919
Capital Outlay	45,085			639,810	684,895
Debt Service:					
Principal Retirement		8,706		2,986,886	2,995,592
Interest and Fiscal Charges				172,686	172,686
<i>Total Cash Disbursements</i>	<u>3,655,099</u>	<u>5,172,118</u>	<u>1,903,939</u>	<u>9,190,549</u>	<u>19,921,705</u>
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>333,017</u>	<u>484,421</u>	<u>405,028</u>	<u>(3,234,033)</u>	<u>(2,011,567)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Notes				1,939,549	1,939,549
Loan Proceeds				824,462	824,462
Miscellaneous Fees on Notes				2,000	2,000
Other Sources				64,291	64,291
Other Uses	(14,621)				(14,621)
<i>Total Other Financing Sources (Uses)</i>	<u>(14,621)</u>			<u>2,830,302</u>	<u>2,815,681</u>
<i>Net Change in Fund Cash Balances</i>	<u>318,396</u>	<u>484,421</u>	<u>405,028</u>	<u>(403,731)</u>	<u>804,114</u>
Fund Balance at Beginning of Year	1,013,144	583,837	1,299,545	3,439,365	6,335,891
<i>Fund Balance at End of Year</i>	<u>\$ 1,331,540</u>	<u>\$ 1,068,258</u>	<u>\$ 1,704,573</u>	<u>\$ 3,035,634</u>	<u>\$ 7,140,005</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary Basis Receipts				
Property Taxes	\$ 876,000	\$ 876,000	\$ 861,599	\$ (14,401)
Sales Taxes	1,375,000	1,375,000	1,460,405	85,405
Charges for Services	535,600	555,600	725,425	169,825
Licenses and Permits	500	500	1,587	1,087
Fines and Forfeitures	100,000	100,000	47,114	(52,886)
Intergovernmental	410,045	410,045	569,130	159,085
Investment Income	1,000	1,000	159,065	158,065
Other	270,100	270,100	163,791	(106,309)
<i>Total Budgetary Basis Receipts</i>	<u>3,568,245</u>	<u>3,588,245</u>	<u>3,988,116</u>	<u>399,871</u>
Budgetary Basis Disbursements				
Current:				
General Government:				
Legislative and Executive	1,374,725	1,473,883	1,445,194	28,689
Judicial	519,688	533,137	495,651	37,486
Public Safety	1,319,815	1,324,690	1,207,613	117,077
Health	13,000	13,000	7,578	5,422
Human Services	149,530	149,530	211,609	(62,079)
Miscellaneous	255,861	251,759	242,369	9,390
Capital Outlay	135,621	165,009	45,085	119,924
<i>Total Budgetary Basis Disbursements</i>	<u>3,768,240</u>	<u>3,911,008</u>	<u>3,655,099</u>	<u>255,909</u>
<i>Excess of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</i>	<u>(199,995)</u>	<u>(322,763)</u>	<u>333,017</u>	<u>655,780</u>
Other Financing Uses				
Other Uses			(14,621)	(14,621)
<i>Net Change in Fund Cash Balance</i>	(199,995)	(322,763)	318,396	641,159
Fund Cash Balance at Beginning of Year	<u>1,013,144</u>	<u>1,013,144</u>	<u>1,013,144</u>	
<i>Fund Cash Balance at End of Year</i>	<u>\$ 813,149</u>	<u>\$ 690,381</u>	<u>\$ 1,331,540</u>	<u>\$ 641,159</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES (BUDGETARY BASIS)
MOTOR VEHICLE GASOLINE TAX FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary Basis Receipts				
Charges for Services	\$ 200,000	\$ 200,000	\$ 240,071	\$ 40,071
Fines and Forfeitures	30,000	30,000	26,478	(3,522)
Intergovernmental	3,405,032	5,291,934	5,388,120	96,186
Investment Income			1,870	1,870
<i>Total Budgetary Basis Receipts</i>	<u>3,635,032</u>	<u>5,521,934</u>	<u>5,656,539</u>	<u>134,605</u>
Budgetary Basis Disbursements				
Current:				
Public Works	4,415,890	6,088,358	5,163,412	924,946
Debt Service:				
Principal Retirement	17,413	17,413	8,706	8,707
<i>Total Budgetary Basis Disbursements</i>	<u>4,433,303</u>	<u>6,105,771</u>	<u>5,172,118</u>	<u>933,653</u>
<i>Excess of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</i>	<u>(798,271)</u>	<u>(583,837)</u>	<u>484,421</u>	<u>1,068,258</u>
Fund Cash Balance at Beginning of Year	<u>583,837</u>	<u>\$ 583,837</u>	<u>583,837</u>	
<i>Fund Cash Balance at End of Year</i>	<u>\$ (214,434)</u>	<u></u>	<u>\$ 1,068,258</u>	<u>\$ 1,068,258</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES (BUDGETARY BASIS)
PAULDING COUNTY BOARD OF DEVELOPMENTAL DISABILITIES FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Basis Receipts				
Property Taxes	\$ 1,067,833	\$ 1,067,833	\$ 889,307	\$ (178,526)
Charges for Services	450,000	450,000	438,814	(11,186)
Intergovernmental	665,224	665,224	937,845	272,621
Other	59,200	59,200	43,001	(16,199)
<i>Total Budgetary Basis Receipts</i>	<u>2,242,257</u>	<u>2,242,257</u>	<u>2,308,967</u>	<u>66,710</u>
Budgetary Basis Disbursements				
Current:				
Human Services	<u>2,651,866</u>	<u>2,651,866</u>	<u>1,903,939</u>	<u>747,927</u>
<i>Excess of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</i>	<u>(409,609)</u>	<u>(409,609)</u>	<u>405,028</u>	<u>814,637</u>
Fund Cash Balance at Beginning of Year	<u>1,299,545</u>	<u>1,299,545</u>	<u>1,299,545</u>	
<i>Fund Cash Balance at End of Year</i>	<u>\$ 889,936</u>	<u>\$ 889,936</u>	<u>\$ 1,704,573</u>	<u>\$ 814,637</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY
STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
FIDUCIARY FUND
DECEMBER 31, 2010

	<u>Agency</u>
Cash Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,882,828
Equity in Cash and Cash Equivalents in Segregated Accounts	<u>166,036</u>
<i>Total Assets</i>	<u><u>\$ 2,048,864</u></u>
Net Cash Assets	
Unrestricted	<u><u>\$ 2,048,864</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Paulding County, Ohio (the County), is a political body established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is governed by a board of three Commissioners elected by the voters of the County and serving for four year terms. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, Common Pleas Court Judge, Probate/Juvenile Court Judge, and the County Court Judge.

Although each of the elected officials manage the internal operations of their respective departments, the County Commissioners authorize cash disbursements as well as serve as the budget and taxing authority, contracting body, and the chief administrator of public services for the entire County.

Reporting Entity

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

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

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

The Paulding County Hospital (the Hospital) operates under the authority of Section 339 of the Ohio Revised Code. It is governed by a Board of Trustees appointed by the County Commissioners, the Probate Judge and the Common Pleas Court Judge of Paulding County. The Hospital is not considered legally separate from the County and for financial reporting purposes should be treated as an Enterprise Fund of the County. The Hospital prepares its financial statements in accordance with a basis of accounting which is different from that used by the County to report, and consequently, has been excluded from these financial statements.

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

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

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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

Joint Ventures

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

Maumee Valley Planning Organization
Tri-County Mental Health Board
West Central Partnership, Inc.
Antwerp Community Improvement Corporation
Community Improvement Corporation of Paulding
Four County Solid Waste District
P.C. Workshop, Inc.
County Risk Sharing Authority (See Note 7)
Paulding County Carnegie Library

Maumee Valley Planning Organization is a jointly governed organization between Defiance, Fulton, Henry, Paulding and Williams counties and their respective townships. Its purpose is to act as a joint regional planning commission to write and administer state and federal grants and assist with housing rehabilitation. The 15 member governing board includes one County Commissioner from each member county. The main source of revenue is fees charged to administer grants and a per capita amount from each county. In 2010, the County paid administrative fees of \$55,804 to the organization.

Tri-County Alcohol, Drug Addiction and Mental Health Board of Mercer, Paulding and Van Wert counties is a jointly governed organization that provides leadership in planning for and supporting community based alcohol, drug addiction and mental health services in each member county. The governing board consists of 18 members of which 10 are appointed by the County Commissioners of Mercer, Paulding and Van Wert counties in the same proportion as the county's population bears to the total population of the three counties combined. During 2010, a tax levy produced \$243,234 for the operations of the organization.

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

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

Four County Solid Waste District is a joint venture between Defiance, Fulton, Paulding and Williams counties for the purpose of making waste disposal in the four county area more comprehensive in terms of recycling, incinerating and land filling. Its governing board consists of three commissioners from each member county. Financial records are maintained by the Williams County auditor. The District's sole revenue source is a waste disposal fee. The County received \$100,000 from the District in 2010 to administer its local solid waste reduction program.

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

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

P.C. Workshop, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of directors. P.C. Workshop, Inc., under a contractual agreement with the Paulding County Board of Developmental Disabilities (PCBDD), provides sheltered employment for developmentally disabled adults in Paulding County. The County provides building space and administrative staff to P.C. Workshop, Inc. as necessary for the operation of the workshop. The value of this in-kind contribution to the P.C. Workshop for 2010 was \$157,339. The entity issues stand alone financial statements that may be obtained by writing to P.C. Workshop, Inc., 900 West Caroline Street, Paulding, Ohio 45879.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

The Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis display information about the County as a whole. These statements include the financial activity of the primary government, except for fiduciary funds.

The Statement of Net Assets-Cash Basis presents the cash basis financial condition of governmental activities of the County at year end. The Statement of Activities-Cash Basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts, which are not classified as program cash receipts, are presented as general cash receipts of the County. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing on a cash basis or draws from the general cash receipts of the County.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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

Fund Financial Statements

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

B. FUND ACCOUNTING

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

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

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

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

Paulding County Board of Development Disabilities (PCBDD) Fund – This fund accounts for the operation of a school and the costs of administering a workshop for the developmentally disabled. Revenue sources include a countywide property tax levy and federal and state grants.

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

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

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

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

C. BASIS OF ACCOUNTING

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

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

D. CASH RECEIPTS – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

E. CASH DISBURSEMENTS

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

F. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations resolutions are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

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

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

Budget

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

Estimated Resources

The County Budget Commission certifies its actions to the County of September 1. As part of this certification, the County receives the official certificate of estimated resources stating the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31 the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts set forth in the financial statements represent estimates from the amended certificate in force at the time the final appropriations were passed by the Commissioners.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. The appropriation measure is the County Commissioners' authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, function, and object level for all funds. Appropriations may not exceed estimated resources.

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

Encumbrances

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

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

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

G. POOLED CASH AND INVESTMENTS

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

Cash and cash equivalents that are held separately within departments of the County are recorded as "Equity in Outside Accounts".

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

During fiscal year 2010, investments of the County Treasurer were limited to government securities, STAR Ohio, certificates of deposit, and money market funds. These investments are reported at cost in these financial statements, except for STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investments purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Investment procedures are restricted by the applicable provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2010 was \$159,065, of which \$132,983 was assigned from other County funds.

H. INVENTORY AND PREPAID ITEMS

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

I. CAPITAL ASSETS

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

J. INTERFUND RECEIVABLES/PAYABLES

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

K. COMPENSATED ABSENCES

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

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

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

L. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

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

M. LONG-TERM OBLIGATIONS

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

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

N. NET ASSETS

Net assets are reported as restricted when enabling legislation or creditors or laws or regulations of other governments have imposed limits on their use. The County first applies restricted resources when a disbursement is incurred for purpose for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and developmentally disabled, and activities of the County's courts. At December 31, 2010, there were no amounts restricted by enabling legislation.

O. INTERFUND ACTIVITY

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

NOTE 4 – EQUITY IN CASH EQUIVALENTS AND INVESTMENTS

State statutes classify monies held by the County into two categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the County Commissioners have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Inactive monies may be deposited or invested in the following securities:

- A. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States Treasury security that is a direct obligation of the United States.
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
- C. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
- D. Bond and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County.
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.
- F. No-load money market funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- G. The State Treasurer's investment pool (STAR Ohio).
- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either security described in division (1) or (2) or cash or both securities and cash, equal value for equal value.
- I. High-grade commercial paper that mature within 270 days and in an amount not to exceed five percent of the County's total average portfolio.

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

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

- J. Bankers' acceptances for a period not to exceed 180 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives that are not issued or guaranteed by the United States are prohibited. The issuance of taxable notes for the purposes of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

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

Cash On Hand

At December 31, 2010, the County had \$1,809 of undeposited cash on hand, which is included on the statement of net assets of the County as part of cash equivalents.

Deposits

At December 31, 2010, the carrying amount of all County bank deposits was \$6,134,484.

Custodial credit risk for bank deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2010, \$1,316,501 of the County's bank balances of \$6,793,396 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by pledging financial institution's trust department or agent, but not in the County's name.

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

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

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

Investments

At December 31, 2010, the County had the following investments:

<u>Investment Type</u>	<u>Cost Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>over 24 months</u>
Federal Home Loan Bank	\$ 1,502,470				\$ 1,502,470
STAR Ohio	301,871	\$ 301,871			
Federal Treasury Note	198,915				198,915
Federal Farm Credit Bank	<u>1,049,320</u>	<u>249,838</u>	<u>\$ 249,900</u>	<u>\$ 299,582</u>	<u>250,000</u>
Total Investments	<u>\$ 3,052,576</u>	<u>\$ 551,709</u>	<u>\$ 249,900</u>	<u>\$ 299,582</u>	<u>\$ 1,951,385</u>

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

Interest Rate Risk – For an investment, interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The County has no investment policy dealing with interest rate risks beyond the requirements of State statutes limiting investments by type and maturity. State statutes requires that an investment mature within five years from the date of purchase, unless matched with a specific obligation or debt of the County and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 270 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

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

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

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

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

	<u>Cost Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank	\$ 1,502,470	49.2%
Federal Farm Credit Bank	\$ 1,049,320	34.4%
Treasury Note	\$ 198,915	6.5%

NOTE 5 – PROPERTY TAX

Real property taxes are levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35% of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value. Public utility real property is assessed at 35% of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2010 with real property taxes.

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

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

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

The full tax rate applied to real property for the fiscal year ended December 31, 2010 was \$14.38 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$12.79 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$13.15 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

NOTE 5 – PROPERTY TAX – (Continued)

Real Property		
	Residential/Agricultural	\$ 249,315,160
	Commercial/Industrial	30,916,980
	Total real property	<u>280,232,140</u>
	Tangible Personal Property-2009 Valuation	
	Public Utility	<u>26,401,890</u>
	Total Valuation	<u>\$ 306,634,030</u>

The County Auditor reappraises all real property every six years with a triennial update. The last triennial update was completed for tax year 2007 and the reappraisal was completed for tax year 2010.

NOTE 6 – PERMISSIVE SALES AND USE TAX

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

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

Permissive sales and use tax revenue for 2010 was \$1,460,405.

NOTE 7 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the County contracted with County Risk Sharing Authority (CORSA), a risk sharing pool, for liability, property and crime insurance. CORSA, a non-profit corporation is sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property and casualty and crime insurance coverage for its members. The CORSA program has a \$2,500 deductible. CORSA provided coverage as follows:

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

NOTE 7 - RISK MANAGEMENT - (Continued)

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

With the exceptions of health insurance, life insurance, and workers' compensation, all insurance is held in CORSA. The County pays all elected officials' bonds by statute. There has been no significant reduction in insurance coverage from 2009, and settled claims have not exceeded this coverage in the past three years.

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

	<u>2010</u>	<u>2009</u>
Cash and Investments	\$70,660,222	\$55,151,743
Actuarial Liabilities	\$24,551,358	\$26,128,124

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

NOTE 7 - RISK MANAGEMENT – (Continued)

B. WORKERS COMPENSATION GROUP RATING PROGRAM

For 2010, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (the Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS – (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, members in state and local classifications contributed 10.00% of covered payroll; public safety members contributed 10.50%, and law enforcement members contributed 11.10%.

The County's contribution rate for 2010 was 14.0%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.87% of payroll. The portion of employer contributions allocated to healthcare was 5.5% from January 1 through March 1, 2010 and 5.0% from March 2 through December 31, 2010, for all employees. The portion of employer contributions allocated to health care for members in the combined plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14.0%, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1%.

The County's required contributions for pension obligations to traditional and combined plans for the years ended December 31, 2010, 2009 and 2008 were \$530,898, \$455,350 and \$441,952, respectively. 100% has been contributed for 2010, 2009 and 2008.

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description – The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides benefits for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS – (Continued)

Funding Policy – For the fiscal year ended June 30, 2010 (the latest information available), plan members are required to contribute 10.0% of their annual covered salaries. The County was required to contribute 14.0%; 13.0% was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13.0%. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10.0% for members and 14.0% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the fiscal years ended December 31, 2010, 2009 and 2008 were \$8,733, \$7,034, and \$6,103, respectively. 100 percent has been contributed for 2010, 2009 and 2008.

NOTE 9 - POST EMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% of for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post employment health care benefits. The amount of the employer contributions which was allocated to fund post employment health care was 5.50% from January 1 through March 1, 2010, and 5.00% from March 2 through December 31, 2010. The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post employment health care plan.

The County's required contributions allocated to fund post employment health care benefits for the years ended December 31, 2010, 2009 and 2008 were \$290,024.26, \$312,987, and \$421,160, respectively. The full amount has been contributed for each year.

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

NOTE 9 - POST EMPLOYMENT BENEFITS – (Continued)

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description – The County contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contribution equal to 1.0% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal years ended December 31, 2010, 2009 and 2008 were \$94, \$541, and \$469. The full amount has been contributed for 2010, 2009, and 2008.

NOTE 10 – OTHER EMPLOYEE BENEFITS

Insurance Benefits

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

Sick Leave and Vacation Leave

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

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

Deferred Compensation

Employees of the County may elect to participate in the Ohio Public Employees Deferred Compensation program or the County Commissioners Association of Ohio program. Under these programs, employees authorize a voluntary payroll deduction, which is invested in a plan of their choice. The accumulated value of the account is not distributed to the employee until a future date, usually after retirement. The deferred pay and any income on it is not subject to income taxation until the distribution is made to the employee. These assets are placed in trust by the respective programs to comply with Internal Revenue Code provisions. Accordingly, these assets are not reflected in the accompanying financial statements. Employees of the County deferred \$130,855 under these two plans during 2010.

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

NOTE 11 – DEBT

A. SHORT-TERM DEBT

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

	Interest Rate	Principal Outstanding 12/31/2009	Additions	Reductions	Principal Outstanding 12/31/2010
Governmental Activities					
<u>State Bank and Trust Company</u>					
General Obligation Notes					
Auglaize Sewer	2.57%	547,498	43,000	590,498	
Manatron Project	2.57%	153,864		153,864	
Consolidated Note	2.57%	35,495		35,495	
Consolidated Note	2.49%	132,681		132,681	
Consolidated Note	2.77%		96,450		96,450
		<u>869,538</u>	<u>139,450</u>	<u>912,538</u>	<u>96,450</u>
 <u>Antwerp Exchange Bank</u>					
General Obligation Notes					
Consolidated Note	3.10%		47,245		47,245
Consolidated Note	2.96%	110,721		110,721	
Consolidated Note	2.35%	63,443		63,443	
Consolidated Note	2.49%		121,654		121,654
		<u>174,164</u>	<u>168,899</u>	<u>174,164</u>	<u>168,899</u>
 Paulding County Commissioners					
Consolidated Note			5,200		5,200
 <u>Bond Anticipation Note</u>					
Jail Construction - voted	2.00%		1,146,000		1,146,000
Jail Construction - unvoted	2.00%		480,000		480,000
Jail Construction - voted	2.75%	1,328,000		1,328,000	
Jail Construction - unvoted	2.75%	494,000		494,000	
		<u>1,822,000</u>	<u>1,626,000</u>	<u>1,822,000</u>	<u>1,626,000</u>
 TOTAL		 <u>\$ 2,865,702</u>	 <u>\$ 1,939,549</u>	 <u>\$ 2,908,702</u>	 <u>\$ 1,896,549</u>

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

NOTE 11 – DEBT – (Continued)

Initial proceeds from the General Obligation Notes were used for the construction and reconstruction of ditches, tax increment financing (TIF) projects and various other capital projects. Property owners receiving the benefits of the construction or reconstruction of a ditch are assessed over an eight year period for their portion of the construction in an amount determined by the County Engineer. These special assessments collected are applied to the outstanding notes. Special assessment ditch notes are reissued annually until the entire amount of the assessment has been collected.

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

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

The Jail Construction bond anticipation notes in the amount of \$1,626,000 (See Balances Above) are due in September 2011. The proceeds were used to refinance debt used for the renovation/construction of a new county adult detention facility.

Debt proceeds in the financial statements include a premium of \$14,804 on the issuance on the jail bond anticipation notes.

B LONG-TERM DEBT

The original issue date, interest rate, original issue amount, and balance at December 31, 2010 for the County's long-term debt issues are as follows:

	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
Hospital Improvement Bonds:			
Paulding County Hospital Improvements	2001	2.10 - 5.65%	\$ 1,900,000
Ohio Department of Transportation:			
SIB Loan County Road Project	2004	3.00%	125,067
Ohio Water Development Authority Loan:			
Auglaize Sewer Project	2010	4.3%	1,650,451
Ohio Public Works Commission Loans:			
County Road Resurfacing	1997	0.00%	159,623
County Road Paving	1999	0.00%	188,617
			<u>\$ 4,023,758</u>

PAULDING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

NOTE 11 – DEBT – (Continued)

The County's long-term debt activity for the year ended December 31, 2010, was as follows:

	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/10</u>	<u>Due Within One Year</u>
Governmental Activities:					
Hospital Improvement Bonds:					
Paulding County Hospital Improvements	\$ 1,520,000		\$ 60,000	\$ 1,460,000	\$ 60,000
Ohio Department of Transportation SIB Loan County Road Paving	89,553		15,139	74,414	15,597
Ohio Water Development Authority Loans Auglaize Sewer Project		\$ 824,462		824,462	41,117
Ohio Public Works Commission Loans:					
County Road Resurfacing	63,852		3,991	59,861	7,981
County Road Paving	89,591		4,715	84,876	9,431
Total OPWC Loans	<u>153,443</u>		<u>8,706</u>	<u>144,737</u>	<u>17,412</u>
Total Governmental Activities	<u>\$ 1,762,996</u>	<u>\$ 824,462</u>	<u>\$ 83,845</u>	<u>\$ 2,503,613</u>	<u>\$ 134,126</u>

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

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

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

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	60,000	4.35%

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

NOTE 11 – DEBT – (Continued)

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

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

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

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

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

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

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

NOTE 11 – DEBT – (Continued)

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

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

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

The Auglaize Sewer Project construction loan is through the Ohio Water Development Authority Fresh Water Contributed Capital Account. The balance at December 31, 2010 includes loan draws of \$800,774 and capitalized interest of \$23,688. The loan has \$849,677 available to draw at December 31, 2010 with interest at 4.34%. Beginning in July 2011, the loan will be converted to an installment loan, repayable in semi-annual payments over five years with the final payment due January 1, 2016. Management's intention is to refinance the loan with the United States Department of Agriculture Rural Development loan program upon project completion in 2011. The refinanced loan would be repayable over 40 years with level principal payments plus interest. Given management's intentions, the construction loan has been classified as long term debt.

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

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

Years Ended December 31	Hospital Improvement Bond:		Ohio Public Works Commission Loans		Ohio Water Development Authority		Ohio Department of Transportation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 60,000	\$ 79,297	\$ 17,412		\$ 41,117		\$ 15,597	\$ 2,103	\$ 134,126	\$ 81,400
2012	65,000	76,687	17,412		41,117		16,069	1,632	139,598	78,319
2013	70,000	73,275	17,412		41,117		16,551	1,146	145,080	74,421
2014	75,000	69,600	17,412		41,117		16,996	646	150,525	70,246
2015	80,000	65,663	17,412		41,117		9,201	131	147,730	65,794
2016-2020	475,000	257,962	57,677		618,877				1,151,554	257,962
2021-2025	515,000	119,213							515,000	119,213
2026 & beyond	120,000	6,600							120,000	6,600
	<u>\$ 1,460,000</u>	<u>\$ 748,297</u>	<u>\$ 144,737</u>		<u>\$ 824,462</u>		<u>\$ 74,414</u>	<u>\$ 5,658</u>	<u>\$ 2,503,613</u>	<u>\$ 753,955</u>

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

NOTE 12 – LEASE ARRANGEMENTS

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

2011	\$32,556
2012	75,656
2013	1,062

Rental expense paid in 2010 was \$227,729.

The County is the lessor of farmland owned by the county to tenant farmers under short term operating leases. Minimum future rental income on non-cancelable leases is \$63,606. The leases expired September 1, 2010.

NOTE 13 – CONTINGENT LIABILITIES

Grants

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

Legal Matters

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

NOTE 14 – SUBSEQUENT EVENTS

On June 15, 2011, the County Commissioners approved a bid for approximately \$5,130,000 to Poggemeyer Design Group for work on the Auglaize River Sewer Project.

On July 11, 2011, the Commissioners approved the issuance of \$2,514,000 Sanitary Sewer System Improvement Revenue Bonds for help with costs of improving the Auglaize Sewer District.

PAULDING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number / Program Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
<u>Special Education Cluster</u>			
Special Education Grants to States	066183-6BSF-2010	84.027	\$8,741
Special Education Grants to States - ARRA	066183-STIMDJ-2010	84.391	<u>1,549</u>
Total U.S. Department of Education			<u>10,290</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through The Area Office of Aging of Northwestern Ohio, Inc</i>			
<u>Aging Cluster:</u>			
Special Programs for the Aging- Title III Part B - Grants for Supportive Services and Senior Centers		93.044	50,950
Nutrition Services Incentive Program (NSIP)		93.053	31,880
Special Programs for the Aging_ Title III, Part C_ Nutrition Services		93.045	34,653
Aging Home - Delivered Nutrition Services for State - ARRA		93.705	3,703
Aging Congregate Nutrition Services for States - ARRA Total Aging Cluster		93.707	<u>2,708</u> 123,894
<i>Passed Through Ohio Job and Family Services</i>			
<u>Supplemental Nutrition Assistance Cluster</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1011-11-5094	10.561	87,161
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - ARRA Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		10.561	<u>6,918</u> 94,079
Promoting Safe and Stable Families	G-1011-11-5094	93.556	3,916
<u>TANF Cluster</u>			
Temporary Assistance for Needy Families	G-1011-11-5094	93.558	496,792
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program - ARRA Total TANF Cluster	G-1011-11-5094	93.714	<u>76,065</u> 572,857
Child Support Enforcement Child Support Enforcement - ARRA Total Child Support Enforcement	G-1011-11-5094	93.563 93.563	71,658 <u>69,266</u> 140,924
<u>Child Care Cluster</u>			
Child Care and Development Block Grant	G-1011-11-5094	93.575	1,448
Child Care Mandatory and Matching Funds of the Child Care and Development Fund Total Child Care Cluster	G-1011-11-5094	93.596	<u>19,676</u> 21,124
Child Welfare Services_State Grants	G-1011-11-5094	93.645	2,663
Foster Care_ Title IV-E Foster Care_ Title IV-E - ARRA Total Foster Care_ Title IV-E	G-1011-11-5094	93.658 93.658	92,786 <u>7,461</u> 100,247
Adoption Assistance	G-1011-11-5094	93.659	3,444
Social Services Block Grant	G-1011-11-5094	93.667	281,710
Child Abuse and Neglect State Grants	G-1011-11-5094	93.669	1,883
Chafee Foster Care Independence Program	G-1011-11-5094	93.674	2,847
Children's Health Insurance Program (CHIP)	G-1011-11-5094	93.767	9,935
Medical Assistance Program	G-1011-11-5094	93.778	<u>154,336</u>
Total Passed Through Ohio Job and Family Services			<u>1,389,965</u> (Continued)

PAULDING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number / Program Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant (Title XX)		93.667	19,606
Medical Assistance Program - ARRA		93.778	49,827
Total Passed Through Ohio Department of Developmental Disabilities			69,433
Total All Social Services Block Grants - CFDA 93.667			301,316
Total All Medical Assistance Programs - CFDA 93.778			204,163
Total U.S. Department of Health and Human Services			1,583,292
ELECTION ASSISTANCE COMMISSION			
<i>Passed Through the Ohio Secretary of State Office</i>			
Voting Access for Individuals With Disabilities - Grants to States	06-SOS-HHHS-63	93.617	2,064
Help America Vote Act Requirements Payments		90.401	255
Total Election Assistance Commission			2,319
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County WIA Area 7</i>			
<u>Workforce Investment Act (WIA) Cluster</u>			
WIA - Adult Program	2009-7163-2 / 2010-7163-1	17.258	47,991
WIA - Adult Program - ARRA		17.258	25,757
Total Adult Program			73,748
WIA - Youth Program	2008-7163-1 / 2009-7163-2	17.259	24,461
WIA - Youth Program - ARRA		17.259	14,418
Total Youth Program			38,879
WIA - Dislocated Worker Program	2008-7163-1 / 2009-7163-2	17.260	38,296
WIA - Dislocated Worker Program - ARRA		17.260	17,509
			55,805
WIA - Dislocated Worker Program	2008-7163-1 / 2009-7163-2	17.278	9,256
Total Dislocated Worker Program			65,061
Total WIA Cluster			177,688
<u>Employment Service Cluster</u>			
Employment Service / Waner-Peyser Funded Activities - ARRA	G-1011-11-5094	17.207	3,119
Disabled Veterans Outreach Program	G-1011-11-5094	17.801	855
Local Veterans Employment Representative Program		17.804	40
Total Employment Service Cluster	G-1011-11-5094		4,014
Total U.S. Department of Labor			181,702
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	82334	20.205	363,310
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Department of Public Safety</i>			
<i>Emergency Management Agency</i>			
State Homeland Security Program	2007-GE-T7-0030	97.067	11,620
Emergency Management Performance Grant	2009-EP-E9-0061	97.042	15,667
Total U.S. Department of Homeland Security			27,287

(Continued)

PAULDING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number / Program Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development</i>			
HOME Investment Partnerships Program (Chip)	B-C-09-1CF-2	14.239	148,436
Community Development Block Grant (Formula)	B-F-09-1CF-1	14.228	74,000
Community Development Block Grant (Chip)	B-C-09-1CF-1	14.228	76,757
Community Development Block Grant (Revolving Loans)		14.228	17,214
Total Community Development Block Grant			<u>167,971</u>
Total U.S. Department of Housing and Urban Development			<u>316,407</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through The Ohio Attorney General</i>			
Crime Victim Assistance	2010VAGENE738	16.575	19,065
Crime Victim Assistance	2011VAGENE738	16.575	5,027
Total Crime Victim Assistance			<u>24,092</u>
Total U.S. Department of Justice			<u>24,092</u>
Total			<u><u>2,508,699</u></u>

The accompanying notes are an integral part of this Schedule.

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PAULDING COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

NOTE B - SUBRECIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash. Workforce Investment Act (WIA) disbursements for the Youth Program (CFDA #17.259) in the amount of \$38,879 were paid to subrecipients who provided services to the County.

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

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

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

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

Activity in the CDBG revolving loan fund during 2010 is as follows:

Beginning Loan Receivable Balance as of January 1, 2010	\$580,382
Loan Principal Repaid on Loans Issued Prior to 2010	(68,026)
Adjustments to Loan Balances	(210)
Ending Loans Receivable Balance as of December 31, 2010	\$512,146
<hr/>	
Cash Balance on Hand in the Revolving Loan Fund as of December 31, 2010	\$283,325
<hr/>	
Program Expenditures:	
Revolving Loan Administrative Costs Expended During 2010	\$17,214
Other Grants Administered through the CDBG 14.228 Program	150,757
Total CDBG 14.228 Program	\$167,971
<hr/>	

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2010, the County estimates \$46,089 to be uncollected.

NOTE D - MATCHING REQUIREMENTS

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

PAULDING COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

NOTE E - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2010, the County made allowable transfers of \$281,710 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$572,857 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2010 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Need Families (TANF)	\$854,567
Transfer To Socal Services Block Grant (SSBG)	<u>(281,710)</u>
Total	<u><u>\$572,857</u></u>



Dave Yost • Auditor of State

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

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

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 31, 2011, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles and the County does not include financial data for the Paulding County Hospital, a legally separate blended component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

Paulding County
Independent Accountants' Report On Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 31, 2011.

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

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

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

Dave Yost
Auditor of State

August 31, 2011



Dave Yost • Auditor of State

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

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

To the Board of Commissioners:

Compliance

We have audited the compliance of Paulding County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Paulding County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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

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

We noted matters involving federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated August 31, 2011.

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



Dave Yost
Auditor of State

August 31, 2011

PAULDING COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(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 weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	WIA Cluster– CFDA # 17.258, 17.259, 17.260, 17.278 HOME Investment Partnerships Program (CHIP) – CFDA # 14.239 Community Development Block Grant – CFDA # 14.228 Highway Planning and Construction – CFDA # 20.205 Social Services Block Grant- CFDA # 93.667 Medical Assistance Program- CFDA # 93.778
(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 2010-001

Noncompliance Finding

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

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

For 2010, the County prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the County's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

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

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient and does not present a higher risk for the County's assets.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

PAULDING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Administrative Code § 117-2-03 (B) – Not reporting on GAAP basis	No	Not Corrected. Reissued as finding 2010-001 in this report.

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Dave Yost • Auditor of State

PAULDING COUNTY FINANCIAL CONDITION

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 22, 2011