



Dave Yost • Auditor of State

VILLAGE OF PAULDING
PAULDING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Paulding, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position thereof or cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Paulding, Paulding County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

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

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

Dave Yost
Auditor of State

Columbus, Ohio

August 17, 2016

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**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Permanent Trust	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$158,859	\$260,304				\$419,163
Municipal Income Tax	933,277					933,277
Intergovernmental	86,847	234,094		\$29,700		350,641
Charges for Services	7,640	236,876				244,516
Fines, Licenses and Permits	25,679	22,507		9,257		57,443
Earnings on Investments	6,058	2,012				8,070
Miscellaneous	34,353	17,164				51,517
<i>Total Cash Receipts</i>	<u>1,252,713</u>	<u>772,957</u>		<u>38,957</u>		<u>2,064,627</u>
Cash Disbursements						
Current:						
Security of Persons and Property	72,629	604,155				676,784
Public Health Services	25,771	3,849				29,620
Leisure Time Activities	30,712	55,686	\$6,101	34,980		127,479
Community Environment	3,981					3,981
Basic Utility Services	14,045					14,045
Transportation	9,339	161,616				170,955
General Government	259,963					259,963
Capital Outlay	843	55,324		3,225,404		3,281,571
Debt Service:						
Principal Retirement	90,000	405,890		284,173		780,063
Interest and Other Fiscal Charges	2,468	11,080		11,198		24,746
<i>Total Cash Disbursements</i>	<u>509,751</u>	<u>1,297,600</u>	<u>6,101</u>	<u>3,555,755</u>		<u>5,369,207</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>742,962</u>	<u>(524,643)</u>	<u>(6,101)</u>	<u>(3,516,798)</u>		<u>(3,304,580)</u>
Other Financing Receipts (Disbursements)						
Sale of Notes	80,000	344,000				424,000
Loan Proceeds				3,487,561		3,487,561
Transfer In		230,000		76,995		306,995
Transfers Out	(630,337)					(630,337)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(550,337)</u>	<u>574,000</u>		<u>3,564,556</u>		<u>3,588,219</u>
<i>Net Change in Fund Cash Balances</i>	192,625	49,357	(6,101)	47,758		283,639
<i>Fund Cash Balances, January 1</i>	<u>498,509</u>	<u>1,488,802</u>	<u>\$6,101</u>	<u>31,119</u>	<u>\$1,546</u>	<u>2,026,077</u>
Fund Cash Balances, December 31						
Nonspendable					1,500	1,500
Restricted		727,497			46	727,543
Committed		810,662				810,662
Assigned	2,150			78,877		81,027
Unassigned	688,984					688,984
<i>Fund Cash Balances, December 31</i>	<u>\$691,134</u>	<u>\$1,538,159</u>		<u>\$78,877</u>	<u>\$1,546</u>	<u>\$2,309,716</u>

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,764,305	\$60,000	\$1,824,305
Fines, Licenses and Permits	1,626	45,045	46,671
Miscellaneous	87,768	18,872	106,640
<i>Total Operating Cash Receipts</i>	<u>1,853,699</u>	<u>123,917</u>	<u>1,977,616</u>
Operating Cash Disbursements			
Personal Services	654,847	35,716	690,563
Contractual Services	479,822	32,710	512,532
Supplies and Materials	118,375	42,588	160,963
Other	10,128	28,522	38,650
<i>Total Operating Cash Disbursements</i>	<u>1,263,172</u>	<u>139,536</u>	<u>1,402,708</u>
<i>Operating Income (Loss)</i>	<u>590,527</u>	<u>(15,619)</u>	<u>574,908</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	96,351	11,000	107,351
Special Assessments	15,862		15,862
Sale of Bonds	35,000		35,000
Sale of Notes	211,000		211,000
Other Debt Proceeds	3,514		3,514
Capital Outlay	(48,410)	(12,525)	(60,935)
Principal Retirement	(1,096,579)		(1,096,579)
Interest and Other Fiscal Charges	(275,217)		(275,217)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,058,479)</u>	<u>(1,525)</u>	<u>(1,060,004)</u>
<i>Income Before Transfers</i>	<u>(467,952)</u>	<u>(17,144)</u>	<u>(485,096)</u>
Transfers In	352,748		352,748
Transfers Out	(29,406)		(29,406)
<i>Net Change in Fund Cash Balances</i>	<u>(144,610)</u>	<u>(17,144)</u>	<u>(161,754)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,074,679</u>	<u>52,276</u>	<u>2,126,955</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,930,069</u></u>	<u><u>\$35,132</u></u>	<u><u>\$1,965,201</u></u>

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Permanent Trust	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$162,967	\$272,568				\$435,535
Municipal Income Tax	734,516					734,516
Intergovernmental	86,622	226,669		\$72,600		385,891
Charges for Services	8,035	239,725				247,760
Fines, Licenses, and Permits	25,681	8,851		4,475		39,007
Earnings on Investments	2,587	2,166				4,753
Payment In Lieu of Taxes	7,735					7,735
Miscellaneous	30,500	19,142				49,642
<i>Total Cash Receipts</i>	<u>1,058,643</u>	<u>769,121</u>		<u>77,075</u>		<u>1,904,839</u>
Cash Disbursements						
Current:						
Security of Persons and Property	78,411	578,605				657,016
Public Health Services	18,730					18,730
Leisure Time Activities	37,565	64,305	\$25,470			127,340
Community Environment	7,753					7,753
Basic Utility Services	8,045					8,045
Transportation	8,722	167,612		110,398		286,732
General Government	271,002				\$20	271,022
Capital Outlay	12,852	94,413		1,584,371		1,691,636
Debt Service:						
Principal Retirement	110,000	480,891				590,891
Interest and Fiscal Charges		15,450		41,665		57,115
<i>Total Cash Disbursements</i>	<u>553,080</u>	<u>1,401,276</u>	<u>25,470</u>	<u>1,736,434</u>	<u>20</u>	<u>3,716,280</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>505,563</u>	<u>(632,155)</u>	<u>(25,470)</u>	<u>(1,659,359)</u>	<u>(20)</u>	<u>(1,811,441)</u>
Other Financing Receipts (Disbursements)						
Sale of Notes	90,000	404,000				494,000
Loan Proceeds				1,663,679		1,663,679
Transfers In	60,000	286,323				346,323
Transfers Out	(590,987)					(590,987)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(440,987)</u>	<u>690,323</u>		<u>1,663,679</u>		<u>1,913,015</u>
<i>Net Change in Fund Cash Balances</i>	64,576	58,168	(25,470)	4,320	(20)	101,574
<i>Fund Cash Balances, January 1</i>	<u>433,933</u>	<u>1,430,634</u>	<u>31,571</u>	<u>26,799</u>	<u>1,566</u>	<u>1,924,503</u>
Fund Cash Balances, December 31						
Nonspendable					1,500	1,500
Restricted		737,079		3,514	46	740,639
Committed		751,723	6,101	27,605		785,429
Assigned	21,435					21,435
Unassigned	477,074					477,074
<i>Fund Cash Balances, December 31</i>	<u>\$498,509</u>	<u>\$1,488,802</u>	<u>\$6,101</u>	<u>\$31,119</u>	<u>\$1,546</u>	<u>\$2,026,077</u>

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,673,246	\$60,000	\$1,733,246
Fines, Licenses and Permits	1,352	19,065	20,417
Miscellaneous	106,088	11,645	117,733
<i>Total Operating Cash Receipts</i>	<u>1,780,686</u>	<u>90,710</u>	<u>1,871,396</u>
Operating Cash Disbursements			
Personal Services	667,366	15,262	682,628
Contractual Services	462,902	23,015	485,917
Supplies and Materials	89,119	21,326	110,445
Other	10,591	13,150	23,741
<i>Total Operating Cash Disbursements</i>	<u>1,229,978</u>	<u>72,753</u>	<u>1,302,731</u>
<i>Operating Income</i>	<u>550,708</u>	<u>17,957</u>	<u>568,665</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	218,967	1,050	220,017
Special Assessments	12,853		12,853
Sale of Notes	516,000		516,000
Capital Outlay	(101,550)	(3,234)	(104,784)
Principal Retirement	(1,032,502)		(1,032,502)
Interest and Other Fiscal Charges	(92,200)		(92,200)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(478,432)</u>	<u>(2,184)</u>	<u>(480,616)</u>
<i>Income Before Transfers</i>	72,276	15,773	88,049
Transfers In	274,602		274,602
Transfers Out	(29,938)		(29,938)
<i>Net Change in Fund Cash Balances</i>	316,940	15,773	332,713
<i>Fund Cash Balances, January 1</i>	<u>1,757,739</u>	<u>36,503</u>	<u>1,794,242</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,074,679</u></u>	<u><u>\$52,276</u></u>	<u><u>\$2,126,955</u></u>

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

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

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

3. Debt Service Funds

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

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

4. Capital Project Funds

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

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

5. Permanent Funds

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

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

6. Enterprise Funds

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

8. Fiduciary Funds

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

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

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$661,421	\$621,806
Certificates of deposit	1,413,143	1,413,117
Total deposits	2,074,564	2,034,923
Repurchase agreement	2,200,353	2,118,109
Total deposits and investments	\$4,274,917	\$4,153,032

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,637,450	\$1,332,713	(\$304,737)
Special Revenue	1,467,465	1,346,957	(120,508)
Debt Service	3,000		(3,000)
Capital Projects	3,854,300	3,603,513	(250,787)
Enterprise	2,813,500	2,568,174	(245,326)
Permanent	5		(5)
Agency	137,000	134,917	(2,083)
Total	\$9,912,720	\$8,986,274	(\$926,446)

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,589,360	\$1,142,238	\$447,122
Special Revenue	1,398,236	1,297,938	100,298
Debt Service	9,084	6,101	2,983
Capital Projects	3,546,064	3,565,880	(19,816)
Enterprise	3,221,260	2,727,742	493,518
Permanent	25		25
Agency	163,185	152,061	11,124
Total	\$9,927,214	\$8,891,960	\$1,035,254

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,209,500	\$1,208,643	(\$857)
Special Revenue	1,454,562	1,459,444	4,882
Debt Service			0
Capital Projects	1,108,700	1,740,754	632,054
Enterprise	2,770,900	2,803,108	32,208
Internal Service			0
Permanent	5		(5)
Agency	92,200	91,760	(440)
Total	\$6,635,867	\$7,303,709	\$667,842

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,162,031	\$1,165,502	(\$3,471)
Special Revenue	1,441,366	1,424,897	16,469
Debt Service	25,600	28,354	(2,754)
Capital Projects	1,099,900	1,771,684	(671,784)
Enterprise	2,488,669	2,577,153	(88,484)
Permanent	25	20	5
Agency	84,369	81,372	2,997
Total	\$6,301,960	\$7,048,982	(\$747,022)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in various General, Special Revenue, Capital Projects, and Enterprise funds for the years ended December 31, 2015 and 2014. In addition, legally adopted appropriations were not properly posted to the Village's financial ledgers in various Capital Projects, Enterprise, and Special Revenue funds.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$10,684,680	Various
Mortgage Revenue Bonds	4,868,833	2.750%
Bond Anticipation Notes	670,000	2.750%
Ohio Public Works Commission Loans	65,917	0%
Total	<u>\$16,289,430</u>	

Ohio Water Development Authority Loans:

The Ohio Water Development Authority (OWDA) loans were entered into as cooperative agreements for the construction, maintenance, and operation of the following water and sewer development projects.

The Village entered into a loan agreement dated December 4, 1995 with Ohio Water Development Authority (Loan Number 3031) in the amount of \$32,728 for the purpose of constructing a new water line extension. This loan is to be repaid over a period of 20 years in semi-annual installments of \$1,467, including 6.35% of interest starting on January 1, 1997. As of December 31, 2015, the balance of this loan was \$1,380.

The Village entered into a loan agreement dated October 26, 2000 with Ohio Water Development Authority (Loan Number 3367) in the amount of \$590,211 for the purpose of wastewater treatment systems improvements. This loan is to be repaid over a period of 15 years in semi-annual installments of \$30,171, including 6.03% of interest starting on January 1, 2003. As of December 21, 2015, the balance of this loan was \$57,718.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

The Village entered into a loan agreement dated January 26, 2012 with Ohio Water Development Authority Loan (Loan Number 6099) for the purpose of construction of a new Village Water Treatment Plant. The total amount of proceeds the Village may draw for this loan is \$2,798,194. This loan is to be repaid over a period of 30 years at 1.5% of interest starting on January 1, 2015. As of December 31, 2015, the Village received a total of \$2,727,242 in loan proceeds. On January 1, 2015, the Village started to make bi-annual loan payments on this loan and remitted a total of \$75,036 in principal payments and \$41,136 in interest payments. As of December 31, 2015, the loan balance for this loan was \$2,652,206. This loan was classified as active by Ohio Water Development Authority at December 31, 2015; therefore, there is no amortization schedule is available for this loan at this time.

The Village entered into a loan agreement dated January 31, 2013 with Ohio Water Development Authority Loan (Loan Number 6386) for the Village CSO Phase 1 Sewer Project. The total amount of proceeds the Village may draw for this loan is \$5,230,943. The loan is to be repaid over a period of 20 years starting on January 1, 2015 at 1.0% interest. As of December 31, 2015, the Village received a total of \$5,050,519 in loan proceeds. On January 1, 2015, the Village started making bi-annual loan payments on this loan to Ohio Water Development Authority. As of December 31, 2015 the balance for this loan was \$4,693,367. This loan was classified as active by Ohio Water Development Authority at December 31, 2015; therefore, there is no amortization schedule is available for this loan at this time.

The Village entered into a loan agreement dated May 29, 2014 with Ohio Water Development Authority Loan (Loan Number 6744) for the Village Sewer Separation Phase II Design project. The total amount of proceeds the Village could draw for this loan is \$280,493. The loan was to be repaid over a period of 5 years at 4.4% interest starting on July 1, 2015. As of May 11, 2015, the Village received a total of \$280,493 in loan proceeds and incurred another \$3,681 in capitalized interest for a total loan balance of \$284,174. On May 11, 2015, the Village used \$284,174 in loan proceeds from Ohio Water Development Authority Loan Number 6911 to pay off the balance of the loan.

The Village entered into a loan agreement dated May 29, 2014 with Ohio Water Development Authority (Loan Number 6911) for the Village CSO Phase II Sewer Project. The total amount of proceeds the Village may draw for this loan is \$5,669,862. The loan is to be repaid over a period of 30 years with \$3,007,250 at 0.780% interest and the remaining \$2,648,025 to be repaid at 2.28% interest starting on July 1, 2017. As of December 31, 2015, the Village the loan balance of this loan was \$3,280,009 received in loan proceeds and capitalized interest from May 5, 2015 through December 31, 2015. This loan was classified as active by Ohio Water Development Authority at December 31, 2015; therefore, there is no amortization available for this loan at this time.

Mortgage Revenue Bonds:

The Water System Mortgage Revenue Bonds Series 2012, dated April 13, 2012, was obtained through the United States Department of Agriculture (USDA) – Rural Development. The Village issued \$4,997,000 in mortgage revenue bonds for the construction of a new water treatment plant, pumping stations, and force mains. The bonds are for a period of 40 years and are to be paid in monthly installments of \$17,690 including interest at 2.75%, with a final maturity in 2052. These bonds will be paid through utility system user charges collected in the Water Fund.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

Bond Anticipation Notes:

The Village issued bond anticipation notes totaling \$670,000 for such projects as sewer improvements; street improvements; and curbing improvements. The bond anticipation notes are for one-year renewals with a maturity date on May 1, 2016 with an interest rate of 2.75%.

Ohio Public Works Commission Loans:

The Village entered into a loan agreement dated January 1, 1995 with Ohio Public Works Commission (Project Number CE428) for an Interceptor Improvement Project. The total amount of the loan was \$568,619 with an interest rate of 4.5%. On July 1, 1995, the Village started remitting bi-annual payments of \$14,110 for a period of twenty years. As of December 31, 2015, the balance of the loan was \$1,299.

The Village entered into a loan agreement dated June 5, 2014 with Ohio Public Works Commission (Project Number CE15Q) for the Dooley Drive Pavement Improvements. The total amount of the loan is \$38,188 with a 0% interest rate. On July 1, 2014, the Village started remitting bi-annual payments of \$945 for a period of twenty years. As of December 31, 2015, the balance of this loan was \$34,408.

The Village entered into a loan agreement dated June 24, 2015 with the Ohio Public Works Commission (Project Number CE35R) for the Wayne Street Waterline Replacement Project. The total amount of the loan is \$31,800 with a 0% interest rate. On July 1, 2015, the Village started making bi-annual payments of \$795 for a period of twenty years. As of December 31, 2015, the balance of this loan was \$30,210.

Ohio Water Development Authority Loans 6099, 6386, and 6911 totaling \$10,625,582 were not included in the amortization schedule below since no amortization schedule are available for them at this time.

Amortization of the above debt, including interest, as well as future minimum lease payments, is scheduled as follows:

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

Year Ended December 31	Ohio Water Development Authority	Mortgage Revenue Bonds	Bond Anticipation Notes	Ohio Public Works Commission	Total
2016	\$61,809	\$212,442	\$688,425	\$4,779	\$967,455
2017		212,154		3,480	215,634
2018		212,161		3,480	215,641
2019		211,900		3,480	215,380
2020		212,423		3,480	215,903
2021 - 2025		1,060,796		17,399	1,078,195
2026 - 2030		1,272,768		17,399	1,290,167
2031 - 2035		1,060,975		12,420	1,073,395
2036 - 2040		1,060,794			1,060,794
2041 - 2046		1,060,780			1,060,780
2046 - 2051		1,060,777			1,060,777
2052		59,453			59,453
Total	\$61,809	\$7,697,423	\$688,425	\$65,917	\$8,513,574

7. LEASES

The Village entered into several leases for such items as a postage meter, copiers, 2014 Dodge Charger, and a Sentry Lite. These leases are repaid from the General, Police, EMS, Water, Sewer, Water Capital Improvement, and Sewer Capital Improvement Funds.

Future minimum lease payments are as follows:

Year Ending December 31	Outstanding Lease Payments
2016	\$12,919
2017	12,919
2018	1,656
2019	996
2020	748
TOTAL	\$29,238

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For OP&F from January 1, 2015 through June 30, 2015, participants contributed 11.5% of their wages. From July 1, 2015 through December 31, 2015, participants contributed 12.25% of their wages. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

The Ohio Revised Code also prescribes contribution rates. For OP&F, participants contributed 10.75% from January 1, 2014 to June 30, 2014; 11.5% from July 1, 2014 to June 30, 2015; and 12.25% from July 1, 2015 to December 31, 2015. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

9. RISK MANAGEMENT

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

10. JOINTLY GOVERNED ORGANIZATION

The Paulding County Fire Association (PCFA) is a jointly governed organization which provides firefighting services to three townships and three villages (member subdivisions) within Paulding County. The PCFA relies upon its member subdivisions for the funding of its operations. Each member subdivision has a vote on the operating budget of the PCFA. The member subdivision's share of the PCFA budget is based on a ratio which incorporates the number of fire runs taking place within its subdivision plus current subdivision valuation in relation to overall fire runs and valuation. The Village serves as fiscal agent for the PCFA. The Village's share of the budget was \$21,481 and \$21,450 in 2015 and 2014, respectively.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

11. INTERFUND TRANSFERS

During 2015 and 2014, the following transfers were made:

Fund	Transfer In
For the year ended December 31, 2015:	
Transfer From General Fund To:	
Special Revenue:	
Police Fund	\$170,000
Street Construction and Maintenance Fund	60,000
Capital Projects Fund:	
Parks Capital Improvement Fund	76,995
Enterprise:	
Water Capital Improvement Fund	221,000
Sewer Fund	102,038
Curbing Fund	304
 Transfer From Enterprise Water Fund To:	
Enterprise:	
Water Capital Projects Fund	29,406
	\$659,743
Fund	Transfer In
For the year ended December 31, 2014:	
Transfer From General Fund To:	
Special Revenue:	
Police Fund	\$185,000
Street Construction and Maintenance Fund	101,323
Enterprise:	
Water Fund	69,664
Water Capital Improvement Fund	100,000
Sewer Capital Improvement Fund	75,000
 Transfer From General Income Tax Fund To:	
General Fund	60,000
 Transfer From Water Fund To:	
Water Capital Improvement Fund	29,938
	\$620,925

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

**VILLAGE OF PAULDING
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

12. MISCELLANEOUS REVENUES

During 2014 and 2015, Miscellaneous Revenues in the Enterprise fund type primarily consisted of farm rental income and employee health insurance reimbursements. Miscellaneous Revenues in the Agency fund type primarily consisted of various donations/contributions.



Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Paulding, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated August 17, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-003 and 2015-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-003 and 2015-004.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

August 17, 2016

**VILLAGE OF PAULDING
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Fund Balance Classification

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

Although the Village implemented GASB No. 54, the Fiscal Officer did not classify the fund balance correctly in certain funds.

In 2014, the following adjustments were recorded to the Village's financial statements to correct errors in fund balance classifications:

- The Special Revenue Emergency Medical Services Fund ending fund balance of \$517,272 was reclassified from Restricted Fund Balance to Committed Fund Balance.
- The Special Revenue Emergency Medical Services Contract Fund ending fund balance of \$220,880 was reclassified from Restricted Fund Balance to Committed Fund Balance.
- The Debt Service Pool Maintenance Fund ending fund balance of \$6,101 was reclassified from Committed Fund Balance to Restricted Fund Balance.
- For the Cemetery Trust Fund, \$46 of the ending fund balance was reclassified from Nonspendable Fund Balance to Restricted Fund Balance.

In 2015, the following adjustments were recorded to the Village's financial statements to correct errors in fund balance classifications:

- The Special Revenue Emergency Medical Services Fund ending fund balance of \$523,291 was reclassified from Restricted Fund Balance to Committed Fund Balance.
- The Special Revenue Emergency Medical Services Contract Fund ending fund balance of \$270,754 was reclassified from Restricted Fund Balance to Committed Fund Balance.
- For the Cemetery Trust Fund, \$46 of the ending fund balance was reclassified from Nonspendable Fund Balance to Restricted Fund Balance.

These errors occurred as a result of management's lack of understanding of the proper classification of fund balances in accordance with GASB 54.

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

FINDING NUMBER 2015-002

Material Weakness

Posting of Estimated Receipts

Sound accounting practices provide that budgeted revenues posted to the Village's ledgers be based on amounts formally reviewed and approved by the Council. Estimated receipts recorded in the Village's ledgers differed from amounts approved by the Council and submitted to the County Budget Commission in the following fund:

Funds	Approved Estimated Receipts	Posted Estimated Receipts	Variance
For the Year Ended December 31, 2014			
Capital Projects Waste Water Sewer Construction Fund	\$695,000	\$610,300	\$84,700

These errors occurred in the posting of estimated receipts since the Fiscal Officer did not compare the total posted to the certificate of estimated resources and there was not an adequate review by the Council Members. The budgetary note to the financial statements was corrected to reflect the approved amount in the Capital Projects Waste Water Sewer Construction Fund.

We also noted other funds with immaterial variances ranging from \$50 to \$200 during the comparison of the Village Council approved estimated receipts to the estimated receipts posted in the revenue ledger at December 31, 2014.

Failure to accurately reflect budgetary figures in the accounting system could result in management basing their financial decisions on inaccurate information, which could possibly result in deficit spending.

We recommend estimated receipt amounts posted to the Village's ledgers be based on the amounts officially approved on the Amended Certificates of Estimated Resources. Furthermore, the Village should develop procedures to ensure budgetary figures are properly reflected in the accounting system, including updating budgetary figures in the system on a periodic basis.

FINDING NUMBER 2015-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of law as are used in making the original appropriation. The appropriations recorded in the Village's ledgers differed from the legally adopted appropriation amounts approved by Council and submitted to the County Budget Commission in the following funds:

Fund	Legally Adopted Appropriations	Posted Appropriations	Variance
For the Year Ended December 31, 2014			
Special Revenue State Highway Fund	\$8,000	\$29,700	\$21,700
Capital Projects Waste Water Sewer Construction Fund	690,200		690,200
Capital Projects Dooley Drive Pavement Fund	110,400		110,400
Enterprise Water Treatment Plant Improvement Fund	387,500	7,100	380,400

These errors occurred in the posting of estimated receipts since the Fiscal Officer did not compare the total posted to the certificate of estimated resources, and there was not an adequate review by the Council Members. The budgetary note to the financial statements was corrected to reflect the approved amounts.

By not posting approved appropriations to the Village's ledgers, Council is not provided with adequate budgetary information to aid in monitoring the Village's financial position.

We recommend the Fiscal Officer monitor appropriations to help ensure that Council approved appropriations are accurately entered into the Village's financial system. We also recommend the Village develop procedures to ensure proper posting to the accounting system and financial statements.

FINDING NUMBER 2015-004

Noncompliance

Ohio Rev. Code §5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had disbursements in excess of appropriations at December 31:

Fund	Total Appropriations	Total Disbursements	Variance
For the Year Ended December 31, 2014:			
General Fund	\$1,162,031	\$1,165,502	\$3,471
Street Construction and Maintenance Fund	720,340	724,250	3,910
Police Fund	382,724	388,241	5,517
Pool Maintenance Fund	64,675	67,737	3,062
Pool Bond Levy Fund	25,600	28,354	2,754
Waste Treatment Plant Construction Fund	298,500	827,853	529,353
Capital Projects Waste Water Sewer Construction Fund	690,200	832,764	142,564
Water Fund	650,908	718,717	67,809
Water Capital Improvement Fund	368,764	375,867	7,103
Water Treatment Plan Improvement Fund	387,500	405,217	17,717
For the Year Ended December 31, 2015:			
Waste Water Sewer Construction Fund	3,435,250	3,455,761	20,511

Management did not sufficiently monitor budget versus actual reports to ensure disbursements did not exceed Council approved appropriations.

Expenditures in excess of appropriations may result in deficit spending. We recommend expenditures and appropriations be reviewed frequently by the Council and the necessary adjustments be made to reduce the possibility of expenditures exceeding appropriations.

FINDING NUMBER 2015-005

Material Weakness – Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated.

The Village's lack of a policy regarding financial review contributed to the following errors occurring without detection in 2014 and 2015:

2014

- Intergovernmental Revenues were overstated by \$37,798 and Debt Proceeds was understated by \$37,798 in the Capital Projects Dooley Pavement Drive Fund.
- Capital Outlay disbursements were overstated by \$110,000 and Debt Service Principal disbursements were understated by \$110,000 in the General Fund.
- Miscellaneous receipts were overstated by \$218,967 and Intergovernmental receipts were understated by \$218,967 in the Enterprise Water Fund.
- Proceeds of Loan receipts were understated by \$152,624 and Capital Outlay disbursements and Interest and Fiscal Charges / Capitalized Interest were understated by \$126,793 and \$25,831 respectively, in the Capital Projects Waste Water Septic Capital Improvement Fund.
- Proceeds of Loans were understated by \$529,610 and Capital Outlay disbursements and Interest and Fiscal Charges / Capitalized Interest were understated by \$513,775 and \$15,835, respectively, in the Capital Projects Water Construction Capital Improvement Fund.
- Transfers In were overstated by \$200 and Miscellaneous receipts were understated by \$200 in the Special Revenue Police Fund.

2015

- Capital Outlay disbursement were overstated by \$92,468 and Debt Service Principal disbursements and Interest and Fiscal Charges disbursements were understated by \$90,000 and \$2,468, respectively, in the General Fund.
- Miscellaneous receipts were overstated by \$96,351 and Intergovernmental receipts were understated by \$96,351 in the Enterprise Water Fund.
- Debt Service Principal disbursements were overstated by \$15,717 and Interest and Fiscal Charges were understated by \$15,717 in the Enterprise Sewer Septic Capital Projects Fund.
- Proceeds of Loans were understated by \$295,371 and Debt Service Principal disbursements and Interest and Fiscal Charges / Capitalized Interest disbursements were understated by \$284,173 and \$11,198, respectively, in the Capital Projects Waste Water Septic Capital Improvement Fund.
- Debt Service Principal disbursements were overstated by \$1,300 and Interest and Fiscal Charges were understated by \$1,300 in the Enterprise Sewer Capital Improvement Fund.
- Capital Outlay disbursements were overstated by \$29,407 and Transfers Out were understated by \$29,407 in the Enterprise Water Fund.

- Intrafund transfers totaling \$200,896 and \$215,000 were eliminated between the General Income Tax Fund and the General Fund. and the Sewer Fund and Sewer Capital Improvement Fund, respectively.

The Village's financial statements and accounting records have been adjusted to reflect these and other discrepancies.

To ensure the financial statements and notes to the statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements, by the Fiscal Officer and Finance Committee to identify and correct errors and omissions.

Officials' Response:

The Fiscal Officer will continue to monitor pertinent budgetary compliance and postings to the financial statements. The Fiscal Officer will continue to monitor the posting of various fiscal transactions, especially those pertaining to debt and transfers.

**VILLAGE OF PAULDING
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material noncompliance on Ohio Rev. Code § 5705.41(D)(1) for not properly certifying expenditures.	Corrective Action Taken and Finding is Fully Corrected.	
2013-002	Material weakness over reconciling of monthly EMS revenue.	Partially Corrected. Reissued in the management letter.	The EMS recommendation was partially corrected since there were no instances noted of EMS receipts not being reported by Medicount and/or the Village as noted in the prior audit. A new Fiscal Officer started in 2014 and was unaware of the prior EMS reconciliation recommendation. The Fiscal Officer performed the EMS reconciliations for 2014 and 2015 once it was brought to her attention. The Fiscal Officer is now reconciling the 2016 EMS revenues.
2013-003	Material weakness over fund balance classifications.	Not Corrected. Reissued as finding 2015-001 in this report.	A new Fiscal Officer started in 2014 and was not familiar with all the GASB 54 fund balance requirements. The new Fiscal Officer will review GASB 54 requirements and review the current year audit report to ensure proper fund classifications in future reports.



Dave Yost • Auditor of State

VILLAGE OF PAULDING

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 6, 2016