



Dave Yost • Auditor of State



**VILLAGE OF PAULDING  
PAULDING COUNTY  
DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016.

### ***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 such 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 2 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 not 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, 2017 and 2016, and the respective changes in financial position or cash flows thereof 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Paulding, Paulding County, Ohio as of December 31, 2017 and 2016, 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 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2018, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 12, 2018

**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, 2017**

	General	Special Revenue	Capital Projects	Permanent Trust	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$160,559	\$302,891			\$463,450
Municipal Income Tax	999,986				999,986
Intergovernmental	83,982	207,664	\$1,196,406		1,488,052
Special Assessments	942				942
Charges for Services	12,697	204,368			217,065
Fines, Licenses and Permits	26,491	3,888	1,869		32,248
Earnings on Investments	22,245	956			23,201
Miscellaneous	14,432	16,341			30,773
<i>Total Cash Receipts</i>	<u>1,321,334</u>	<u>736,108</u>	<u>1,198,275</u>		<u>3,255,717</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	71,862	545,545			617,407
Public Health Services	25,461	2,481			27,942
Leisure Time Activities	30,152	57,680	22,956		110,788
Community Environment	4,053				4,053
Basic Utility Services	8,355				8,355
Transportation	3,961	143,180			147,141
General Government	247,128				247,128
Capital Outlay	709	41,772	2,396,274		2,438,755
Debt Service:					
Principal Retirement		321,514			321,514
Interest and Other Fiscal Charges		6,934			6,934
<i>Total Cash Disbursements</i>	<u>391,681</u>	<u>1,119,106</u>	<u>2,419,230</u>		<u>3,930,017</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>929,653</u>	<u>(382,998)</u>	<u>(1,220,955)</u>		<u>(674,300)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Debt Proceeds			1,003,654		1,003,654
Transfers Out	(648,539)	472,500	47,569		(128,470)
Advance In			188,606		188,606
Advance Out	(213,606)				(213,606)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(862,145)</u>	<u>472,500</u>	<u>1,239,829</u>		<u>850,184</u>
<i>Net Change in Fund Cash Balances</i>	67,508	89,502	18,874		175,884
<i>Fund Cash Balances, January 1</i>	<u>924,356</u>	<u>1,656,929</u>	<u>84,633</u>	<u>\$1,546</u>	<u>2,667,464</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable				1,500	1,500
Restricted		861,230		46	861,276
Committed		885,201			885,201
Assigned			103,507		103,507
Unassigned	991,864				991,864
<i>Fund Cash Balances, December 31</i>	<u>\$991,864</u>	<u>\$1,746,431</u>	<u>\$103,507</u>	<u>\$1,546</u>	<u>\$2,843,348</u>

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$1,970,555	\$67,500	\$2,038,055
Fines, Licenses and Permits	6,299		6,299
Miscellaneous	87,077	1,196	88,273
<i>Total Operating Cash Receipts</i>	<u>2,063,931</u>	<u>68,696</u>	<u>2,132,627</u>
<b>Operating Cash Disbursements</b>			
Personal Services	391,364	18,063	409,427
Employee Fringe Benefits	266,076	2,195	268,271
Contractual Services	482,218	28,912	511,130
Supplies and Materials	132,582	10,272	142,854
Other	15,940		15,940
<i>Total Operating Cash Disbursements</i>	<u>1,288,180</u>	<u>59,442</u>	<u>1,347,622</u>
<i>Operating Income</i>	<u>775,751</u>	<u>9,254</u>	<u>785,005</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental		10,000	10,000
Special Assessments	11,435		11,435
Capital Outlay	(159,944)	(13,812)	(173,756)
Principal Retirement	(597,877)		(597,877)
Interest and Other Fiscal Charges	(330,920)		(330,920)
Other Financing Sources		7,383	7,383
Other Financing Uses		(7,383)	(7,383)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,077,306)</u>	<u>(3,812)</u>	<u>(1,081,118)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>(301,555)</u>	<u>5,442</u>	<u>(296,113)</u>
Transfers In	128,470		128,470
Advances In	25,000		25,000
<i>Net Change in Fund Cash Balances</i>	<u>(148,085)</u>	<u>5,442</u>	<u>(142,643)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,883,926</u>	<u>42,551</u>	<u>1,926,477</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,735,841</u></u>	<u><u>\$47,993</u></u>	<u><u>\$1,783,834</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  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 1 – Reporting Entity**

The Village of Paulding (the Village), Paulding County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

***Jointly Governed Organization and Public Entity Risk Pool***

The Village participates in a jointly governed organization, the Paulding Community Fire Association, and a public entity risk pool, the Ohio Plan Risk Management, Inc. Notes 6 and 12 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred to the general laws of Ohio.

***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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets with the Village.

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

***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 Funds:

*N. Williams/Gasser Road Intersection Improvement Project Fund* – This fund is used to track several grants received to fund the construction of a new turn lane on Williams Street.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

Multiple Street Improvements Fund – This fund is used to track several grants and loan monies received to fund the Perry, Cherry, Emerald and various street resurfacing projects that were torn up during the Phase I Sewer Separation Project.

Water Meter Capital Project Fund – This fund is used to track several grants and loan monies received to fund the water meter replacement project.

Grant Rd. Water Tower Improvement Project Fund – This fund is used to track several grants and loan monies received to fund the Grant Street water tower improvement project.

Wastewater Sewer Separation Project Fund – This fund is used to track several grants and loan monies received to fund the construction of the wastewater sewer separation projects.

**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.

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

Water Fund – This fund accounts for the provision of water treatment and distribution to the residents and commercial users located with the Village.

Sewer Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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

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

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

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

***Basis of Accounting***

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

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.

***Budgetary Process***

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

***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.

***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.

***Encumbrances*** – The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

***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.

***Capital Assets***

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

***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.

***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:

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**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.

**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.

**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.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,643,260	\$1,321,334	(\$321,926)
Special Revenue	1,434,850	1,208,608	(226,242)
Capital Projects	3,046,856	2,438,104	(608,752)
Enterprise	2,917,000	2,228,836	(688,164)
Permanent	5		(5)
Agency	93,650	86,079	(7,571)
Total	\$9,135,621	\$7,282,961	(\$1,852,660)

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,468,750	\$1,253,826	\$214,924
Special Revenue	1,473,300	1,119,106	354,194
Capital Projects	2,817,550	2,419,230	398,320
Enterprise	2,979,680	2,376,921	602,759
Permanent	4		4
Agency	98,100	80,637	17,463
Total	\$8,837,384	\$7,249,720	\$1,587,664

**Note 4 – 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:

	2017
Demand deposits	\$965,350
Certificates of deposit	3,136,900
Total deposits	4,102,250
Repurchase agreement	524,932
Total deposits and investments	\$4,627,182

***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.

**Note 5 – Taxes**

***Property Taxes***

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.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

***Income Taxes***

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.

**Note 6 – Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016 (the latest information available).

	<b>2016</b>
Assets	<u>\$14,765,712</u>
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF PAULDING  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Village employees belong to the Ohio Public Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contribute 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2017.

***Ohio Police and Fire Retirement System***

The Village’s full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages. The Village has paid all contributions required through December 31, 2017.

**Note 8 - Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$11,862,165	Various
Mortgage Revenue Bonds	4,707,850	2.750%
Ohio Public Works Commission Loans	622,962	0%
Total	\$17,192,977	

**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 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, 2017, the Village received a total of \$2,764,341 in loan proceeds. In 2017, the Village made bi-annual loan payments on this loan and remitted a total of \$76,377 in principal payments and \$38,389 in interest payments. As of December 31, 2017, the balance of this loan was \$2,501,942.

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, 2017, the Village received a total of \$5,050,519 in loan proceeds. In 2017, the Village made bi-annual loan payments on this loan and remitted a total of \$214,471 in principal payments and \$35,983 in interest payments.

**VILLAGE OF PAULDING  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

As of December 31, 2017, the balance of this loan was \$4,237,808.

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 \$5,646,708. The loan is to be repaid over a period of 30 years with \$3,000,000 at 0.780% interest and the remaining \$2,646,708 to be repaid at 2.28% interest starting on July 1, 2017. As of December 31, 2017, the balance of this loan was \$4,929,522. The capitalized interest from May 5, 2015 through December 31, 2016 in the amount of \$37,324 was paid May 15, 2017. In 2017, the Village made bi-annual loan payments on this loan and remitted a total of \$151,424 in principal payments and \$83,218 in interest payments. This loan was classified as active by Ohio Water Development Authority at December 31, 2017; therefore, there is no amortization schedule available for this loan at this time. However, the outstanding principal balance is included above.

The Village entered into a loan agreement dated September 28, 2017 with Ohio Water Development Authority Loan (Loan Number 7842) for the Village Sewer Separation Phase III Design project. The total amount of proceeds the Village could draw for this loan is \$300,000. The loan is to be repaid over a period of 5 years at 0% interest starting on January 1, 2019. As of December 31, 2017, the Village received a total of \$192,893 in loan proceeds.

**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. In 2017, the Village made monthly loan payments on this loan and remitted a total of \$81,597 in principal payments and \$130,683 in interest payments. As of December 31, 2017, the balance of this loan was \$4,707,850.

**Bond Anticipation Notes:**

The Village issued bond anticipation notes totaling \$314,000 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, 2017 with an interest rate of 2.75%. The note was paid off in 2017 with no reissuances.

**Ohio Public Works Commission Loans:**

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, 2017, the balance of this loan was \$30,595.

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, 2017, the balance of this loan was \$27,030.



**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

The Village entered into a loan agreement dated July 1, 2015 with the Ohio Public Works Commission (Project Number CE16S) for the Gasser Rd & N. Walnut Street Pavement Improvements. The total amount of the loan is \$112,024 with a 0% interest rate. On July 1, 2016, the Village started making bi-annual payments of \$2,801 for a period of twenty years. As of December 31, 2017, the balance of this loan was \$100,822.

The Village entered into a loan agreement dated July 1, 2016 with the Ohio Public Works Commission (Project Number CT16T) for the Perry, Cherry, Emerald, & Various Streets Improvements. The total amount of the loan is \$505,000 with a 0% interest rate. The Village will start making bi-annual payments of \$2,252 on July 1, 2018, for a period of thirty years. As of December 31, 2017, the balance of this loan was \$135,143.

The Village entered into a loan agreement dated October 20, 2015 with the Ohio Public Works Commission (Project Number CT73S) for the Water Meter Replacement Project. The total amount of the loan is \$300,000 with a 0% interest rate. The Village will start making bi-annual payments of \$4,852 on July 1, 2018, for a period of thirty years. As of December 31, 2017, the balance of this loan was \$291,135.

The Village entered into a loan agreement dated July 1, 2016 with the Ohio Public Works Commission (Project Number CE14T) for the Grant Road Water Tower Improvements. The total amount of the loan is \$39,555 with a 0% interest rate. The Village started making bi-annual payments of \$1,319 on December 5, 2017, for a period of fifteen years. As of December 31, 2017, the balance of this loan was \$38,237.

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

Year Ended December 31	Ohio Water Development Authority	Mortgage Revenue Bonds	Ohio Public Works Commission	Total
2018	\$394,015	\$212,280	\$25,950	\$632,245
2019	394,015	212,280	25,950	632,245
2020	394,015	212,280	25,950	632,245
2021	394,015	212,280	25,950	632,245
2022	394,015	212,280	25,950	632,245
2023 - 2027	1,970,074	1,061,400	129,748	3,161,222
2028 - 2032	1,970,074	1,061,400	128,430	3,159,904
2033 - 2037	992,704	1,061,400	92,942	2,147,046
2038 - 2042	573,832	1,061,400	71,046	1,706,278
2043 - 2048	172,148	1,061,400	71,046	1,304,594
2049 - 2053		878,562		878,562
<b>Total</b>	<b>\$7,648,907</b>	<b>\$7,246,962</b>	<b>\$622,962</b>	<b>\$15,518,831</b>

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**Note 9 - Leases**

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

Future minimum lease payments are as follows:

Year Ending December 31	Outstanding Lease Payments
2018	\$7,421
2019	4,066
2020	3,817
2021	3,070
2022	1,369
TOTAL	<u>\$19,743</u>

**Note 10 – Interfund Transfers**

During 2017, the following transfers were made:

<u>Fund</u>	<u>Transfer In</u>
<b>Transfer From General Income Tax Fund To:</b>	
Special Revenue Funds:	
Police Fund (208)	\$157,500
Street Construction and Maintenance Fund (201)	314,000
EMS Levy Fund (216)	1,000
Capital Project Fund:	
Parks Capital Improvement Fund (507)	47,569
Enterprise Funds:	
Sewer Capital Improvement Fund (604)	30,000
Sewer Separation Improvement Fund (612)	98,470
	<u>\$648,539</u>

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.

**Note 11 – Advances**

In 2017, the Village advanced \$25,000 from the General Fund to the Enterprise Curbing Improvements Fund to cover curbing project costs instead of obtaining a bond anticipation note. The advance will be repaid in 2018.

The Village also advanced \$188,606 from the General Fund to the Capital Projects N. Williams / Gasser Intersection Project Fund to cover improvements costs and avoid a negative fund balance as of calendar year end. The project was not complete as of December 31, 2017 and the Village was waiting on reimbursements for those costs. The advance will also be repaid in 2018.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**Note 12 – Jointly Governed Organization**

The Paulding Community 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 \$22,478 for 2017.

**Note 13 – Miscellaneous Revenues**

During 2017, miscellaneous revenues in the Enterprise Fund primarily consisted of farm rental income and employee health insurance reimbursements.

**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, 2016**

	General	Special Revenue	Capital Projects	Permanent Trust	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$165,186	\$306,423			\$471,609
Municipal Income Tax	1,005,020				1,005,020
Intergovernmental	84,809	201,724	\$482,450		768,983
Special Assessments	1,961				1,961
Charges for Services	6,802	233,860			240,662
Fines, Licenses, and Permits	27,435	7,681	2,724		37,840
Earnings on Investments	4,896	2,253			7,149
Miscellaneous	17,747	10,436	2,219		30,402
<i>Total Cash Receipts</i>	<u>1,313,856</u>	<u>762,377</u>	<u>487,393</u>		<u>2,563,626</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	73,598	596,731			670,329
Public Health Services	23,690	2,550			26,240
Leisure Time Activities	30,759	60,227	40,245		131,231
Community Environment	8,847				8,847
Basic Utility Services	4,584				4,584
Transportation	5,336	145,846			151,182
General Government	259,040				259,040
Capital Outlay	25,251	39,911	2,066,910		2,132,072
Debt Service:					
Principal Retirement	80,000	351,502			431,502
Interest and Fiscal Charges	2,179	9,371			11,550
<i>Total Cash Disbursements</i>	<u>513,284</u>	<u>1,206,138</u>	<u>2,107,155</u>		<u>3,826,577</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>800,572</u>	<u>(443,761)</u>	<u>(1,619,762)</u>		<u>(1,262,951)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes		314,000			314,000
Other Debt Proceeds			1,577,599		1,577,599
Transfers In		248,531	47,919		296,450
Transfers Out	(567,350)				(567,350)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(567,350)</u>	<u>562,531</u>	<u>1,625,518</u>		<u>1,620,699</u>
<i>Net Change in Fund Cash Balances</i>	233,222	118,770	5,756		357,748
<i>Fund Cash Balances, January 1</i>	<u>691,134</u>	<u>1,538,159</u>	<u>78,877</u>	<u>\$1,546</u>	<u>2,309,716</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable				1,500	1,500
Restricted		816,331		46	816,377
Committed		840,598	84,633		925,231
Unassigned	924,356				924,356
<i>Fund Cash Balances, December 31</i>	<u>\$924,356</u>	<u>\$1,656,929</u>	<u>\$84,633</u>	<u>\$1,546</u>	<u>\$2,667,464</u>

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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$1,866,870	\$67,500	\$1,934,370
Fines, Licenses and Permits	1,953		1,953
Miscellaneous	87,045	10,831	97,876
<i>Total Operating Cash Receipts</i>	<u>1,955,868</u>	<u>78,331</u>	<u>2,034,199</u>
<b>Operating Cash Disbursements</b>			
Personal Services	397,744	18,195	415,939
Employee Fringe Benefits	257,522	3,302	260,824
Contractual Services	503,204	42,730	545,934
Supplies and Materials	110,262	222	110,484
Other	12,541		12,541
<i>Total Operating Cash Disbursements</i>	<u>1,281,273</u>	<u>64,449</u>	<u>1,345,722</u>
<i>Operating Income</i>	<u>674,595</u>	<u>13,882</u>	<u>688,477</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	15,516		15,516
Sale of Notes	71,000		71,000
Capital Outlay	(121,731)	(4,079)	(125,810)
Principal Retirement	(700,440)		(700,440)
Interest and Other Fiscal Charges	(255,983)		(255,983)
Other Financing Sources		8,985	8,985
Other Financing Uses		(11,369)	(11,369)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(991,638)</u>	<u>(6,463)</u>	<u>(998,101)</u>
<i>Income (Loss) before Transfers</i>	<u>(317,043)</u>	<u>7,419</u>	<u>(309,624)</u>
Transfers In	<u>270,900</u>		<u>270,900</u>
<i>Net Change in Fund Cash Balances</i>	<u>(46,143)</u>	<u>7,419</u>	<u>(38,724)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,930,069</u>	<u>35,132</u>	<u>1,965,201</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,883,926</u></u>	<u><u>\$42,551</u></u>	<u><u>\$1,926,477</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  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 1 – Reporting Entity**

The Village of Paulding (the Village), Paulding County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

***Jointly Governed Organization and Public Entity Risk Pool***

The Village participates in a jointly governed organization, the Paulding Community Fire Association, and a public entity risk pool, the Ohio Plan Risk Management, Inc. Notes 6 and 11 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose it is expended or transferred to the general laws of Ohio.

***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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets with the Village.

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

***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 Funds:

*Wastewater Sewer Separation Project Fund* – This fund is used to track several grants and loan monies received to fund the construction of the wastewater sewer separation projects.

*Water Meter Capital Project Fund* – This fund is used to track several grants and loan monies received to fund the water meter replacement project.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**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.

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

Water Fund – This fund accounts for the provision of water treatment and distribution to the residents and commercial users located with the Village.

Sewer Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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

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

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

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

***Basis of Accounting***

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.

***Budgetary Process***

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

**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

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**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.

**Encumbrances** – The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

**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.

**Capital Assets**

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

**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.

**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:

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

**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.

**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.

**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,



**VILLAGE OF PAULDING  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

*assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2016 follows

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,600,750	\$1,313,856	(\$286,894)
Special Revenue	1,402,090	1,324,908	(77,182)
Capital Projects	2,390,600	2,112,911	(277,689)
Enterprise	2,595,900	2,313,284	(282,616)
Permanent	5		(5)
Agency	96,300	87,316	(8,984)
Total	\$8,085,645	\$7,152,275	(\$933,370)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,423,340	\$1,080,634	\$342,706
Special Revenue	1,360,315	1,206,138	154,177
Capital Projects	2,384,500	2,107,155	277,345
Enterprise	2,632,276	2,359,427	272,849
Permanent	25		25
Agency	94,890	79,897	14,993
Total	\$7,895,346	\$6,833,251	\$1,062,095

**Note 4 – 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:

**VILLAGE OF PAULDING  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

	<u>2016</u>
Demand deposits	\$783,422
Certificates of deposit	<u>1,437,900</u>
Total deposits	2,221,322
Repurchase agreement	<u>2,372,619</u>
Total deposits and investments	<u><u>\$4,593,941</u></u>

***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.

**Note 5 – Taxes**

***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.

***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.

**Note 6 – Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

**VILLAGE OF PAULDING  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<b>2016</b>
Assets	<u>\$14,765,712</u>
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u><u>\$5,234,206</u></u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Village employees belong to the Ohio Public Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contribute 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Ohio Public and Fire Retirement System**

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

**Note 8 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$11,756,335	Various
Mortgage Revenue Bonds	4,789,447	2.750%
Bond Anticipation Notes	385,000	2.750%
Ohio Public Works Commission Loans	215,155	0%
Total	<u>\$17,145,937</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, 2016, the balance of this loan was \$0.

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 31, 2016, the balance of this loan was \$0.

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, 2016, the Village received a total of \$2,764,341 in loan proceeds. In 2016, the Village made bi-annual loan payments on this loan and remitted a total of \$72,892 in principal payments and \$39,766 in interest payments. As of December 31, 2016, the balance of this loan was \$2,578,319.

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, 2016, the Village received

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

a total of \$5,050,519 in loan proceeds. In 2016, the Village made bi-annual loan payments on this loan and remitted a total of \$241,088 in principal payments and \$48,137 in interest and administrative fee payments. As of December 31, 2016, the balance for this loan was \$4,452,279.

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 \$5,684,032. The loan is to be repaid over a period of 30 years with \$3,012,521 at 0.780% interest and the remaining \$2,671,511 to be repaid at 2.28% interest starting on July 1, 2017. As of December 31, 2016, the loan balance of this loan was \$4,725,737 received in loan proceeds and capitalized interest from May 5, 2015 through December 31, 2016. This loan was classified as active by Ohio Water Development Authority at December 31, 2016; therefore, there is no amortization schedule available for this loan at this time. However, the outstanding principal balance is included above.

**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. In 2016, the Village made monthly loan payments on this loan and remitted a total of \$79,386 in principal payments and \$132,894 in interest payments. As of December 31, 2016, the balance of this loan was \$4,789,447.

**Bond Anticipation Notes:**

The Village issued bond anticipation notes totaling \$385,000 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, 2017 with an interest rate of 2.75%.

**Ohio Public Works Commission Loans:**

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, 2016, the balance of this loan was \$32,507.

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, 2016, the balance of this loan was \$28,620.

The Village entered into a loan agreement dated July 1, 2015 with the Ohio Public Works Commission (Project Number CE16S) for the Gasser Rd & N. Walnut Street Pavement Improvements. The total amount of the loan is \$112,024 with a 0% interest rate. On July 1, 2016, the Village started making bi-annual payments of \$2,801 for a period of twenty years. As of December 31, 2016, the balance of this loan was \$106,423.

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

The Village entered into a loan agreement dated July 1, 2016 with the Ohio Public Works Commission (Project Number CT16T) for the Perry, Cherry, Emerald, & Various Streets Improvements. The total amount of the loan is \$505,000 with a 0% interest rate. This project was still pending and there were no drawdowns of loan proceeds as of December 31, 2016.

The Village entered into a loan agreement dated October 20, 2015 with the Ohio Public Works Commission (Project Number CT73S) for the Water Meter Replacement Project. The total amount of the loan is up to \$300,000 with a 0% interest rate. This project was still pending as of December 31, 2016. As of December 31, 2016, the balance of this loan was \$46,930. There is no amortization schedule available for this loan at this time. However, the outstanding principal balance is included above.

The Village entered into a loan agreement dated July 1, 2016 with the Ohio Public Works Commission (Project Number CE14T) for the Grant Road Water Tower Improvements. The total amount of the loan is \$52,500 with a 0% interest rate. This project was still pending as of December 31, 2016. The loan balance as of December 31, 2016, was \$675. There is no amortization schedule available for this loan at this time. However, the outstanding principal balance is included above.

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

Year Ended December 31	Water Development Authority	Mortgage Revenue Bonds	Bond Anticipation Notes	Public Works Commission	Total
2017	\$365,221	\$212,280	\$395,588	\$9,103	\$982,192
2018	394,015	212,280		9,103	615,398
2019	394,015	212,280		9,103	615,398
2020	394,015	212,280		9,103	615,398
2021	394,015	212,280		9,103	615,398
2022 - 2026	1,970,074	1,061,400		45,517	3,076,991
2027 - 2031	1,970,074	1,061,400		45,517	3,076,991
2032 - 2036	1,271,953	1,061,400		31,001	2,364,354
2037 - 2041	573,832	1,061,400			1,635,232
2042 - 2046	286,914	1,061,400			1,348,314
2047 - 2051		1,061,400			1,061,400
2052		29,442			29,442
<b>Total</b>	<b>\$8,014,128</b>	<b>\$7,459,242</b>	<b>\$395,588</b>	<b>\$167,550</b>	<b>\$16,036,508</b>

**Note 9 - 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, Water, and Sewer Funds.

Future minimum lease payments are as follows:

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

Year Ending December 31	Outstanding Lease Payments
2017	\$19,006
2018	6,618
2019	3,264
2020	3,015
2021	2,268
2022	567
<b>TOTAL</b>	<b>\$34,738</b>

**Note 10 – Interfund Transfers**

During 2016, the following transfers were made:

<u>Fund</u>	<u>Transfer In</u>
<b>Transfer From General Income Tax Fund To:</b>	
Special Revenue:	
Police Fund	\$200,000
Street Construction and Maintenance Fund	48,531
Capital Projects Fund:	
Parks Capital Improvement Fund	47,919
Enterprise:	
Water Capital Improvement Fund	18,530
Sewer Capital Improvement Fund	224,782
Sewer Separation Improvement Fund	27,588
	<u>\$567,350</u>

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.

**Note 11 – Jointly Governed Organization**

The Paulding Community 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 \$24,077 for 2016.

VILLAGE OF PAULDING  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)

**Note 12 – Miscellaneous Revenues**

Miscellaneous revenues in the Enterprise Fund primarily consisted of farm rental income and employee health insurance reimbursements. Miscellaneous revenues in the Agency Fund 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 Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Paulding, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated September 12, 2018 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 opinions 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

### ***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village's Response to Findings***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 12, 2018

**VILLAGE OF PAULDING  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Material Weakness**

**Monitoring of Financial Statements**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were identified in the accompanying 2017 and 2016 financial statements:

- Ohio Public Works Commission (OPWC) grant monies totaling \$482,450 were incorrectly classified as miscellaneous revenue instead of intergovernmental revenue in the Capital Projects Fund in 2016.
- Actual receipts and disbursements were overstated by \$18,910 and actual receipts were overstated by \$142,708 in the General Fund budgetary notes to the financial statements in 2016 and 2017, respectively.
- Special Revenue restricted fund balances were overstated and committed fund balances were understated by \$840,598 and \$885,202 in 2016 and 2017, respectively.
- The Cemetery Trust Fund's portion of its fund balance in the amount of \$46 was incorrectly classified as unassigned instead of restricted in 2016 and 2017.
- Mayor's Court Agency Fund receipts totaling \$8,985 and \$7,383 were incorrectly classified as Fines, Licenses, and Permits instead of Other Financing Sources in 2016 and 2017, respectively. Mayor's Court Agency Fund disbursements totaling \$11,369 and \$7,383 were incorrectly classified as Personal Services and Other Disbursements instead of Other Financing Uses in 2016 and 2017, respectively.
- Fire contract revenues in the Paulding Community Fire Association Agency Fund totaling \$67,500 were incorrectly classified as Fines, Licenses, and Permits instead of Charges for Services in 2016 and 2017.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Village's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Finance Director and the finance committee, to identify and correct errors and omissions. In addition, the Finance Director should also review the Auditor of State's Village Handbook which contains a chart of accounts as well as Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

**Officials' Response:**

The Finance Director will continue to monitor pertinent budgetary and postings to the financial statements and notes to the financial statements.

# VILLAGE OF PAULDING

Finance Director 419-399-4011  
 Utilities Office 419-399-4011  
 Administrator 419-399-2806  
 Fax # 419-399-5368

116 SOUTH MAIN ST  
 PAULDING, OH 45879

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	This finding was first reported in 2011. Material weakness over fund balance classification.	Not corrected and reissued with finding 2017-001 in this report.	This comment was reissued primarily due to the Finance Director's financial spreadsheet not mapping amounts to the proper financial statement line items. The Finance Director has made corrections in her financial spreadsheet for 2018's financial statements.
2015-002	Material weakness over posting of estimated receipts	Corrective action taken and finding is fully corrected.	
2015-003	Material weakness and noncompliance on Ohio Rev. Code § 5705.40 for posted appropriations not matching approved appropriations.	Corrective action taken and finding is fully corrected.	
2015-004	Material noncompliance on Ohio Rev. Code § 5705.41(B) for disbursements exceeding appropriations.	Partially corrected. Reissued in the management letter.	This comment was reissued since appropriations in the Capital Projects Water Meter fund were not increased to cover disbursements. The Finance Director will review fiscal ledgers to ensure appropriations are approved to cover costs.
2015-005	This finding was first reported in 2014. Material weakness for lack of monitoring of financial transactions due to errors in the financial statements.	Not corrected and reissued as finding 2017-001 in this report.	This comment was reissued primarily due to the Finance Director's financial spreadsheet not mapping amounts to the proper financial statement line items. The Finance Director has made corrections in her financial spreadsheet for 2018's financial statements.

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# 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 25, 2018