

PAULDING COUNTY, OHIO



Basic Financial Statements

December 31, 2013



Dave Yost • Auditor of State

County Commissioners
Paulding County
115 North Williams Street
Paulding, Ohio 45879

We have reviewed the *Independent Auditor's Report* of Paulding County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Paulding County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 16, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paulding County (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash accounting basis Note 2 described. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinions on the Business-Type Activities and on the Hospital Enterprise Fund

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

Adverse Opinions

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinions on the Business-Type Activities and Hospital Enterprise Fund paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 2, the modified cash financial position of the business-type activities or major hospital enterprise fund of Paulding County, Ohio, as of December 31, 2013, and its changes in modified cash financial position for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the government activities, each major fund except for the hospital enterprise fund discussed above, and the aggregate remaining fund information of Paulding County, Ohio, as of December 31, 2013, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Motor Vehicle Gasoline Tax, and Paulding County Board of Developmental Disabilities (PCBDD) funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the County's financial statements that collectively comprise its basic financial statements. Management's Discussion & Analysis includes tables of net position-modified cash basis, changes in net position-modified cash basis, governmental activities-modified cash basis, governmental funds-modified cash basis and Debt Administration. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Adverse Opinions on the Business-Type Activities and Hospital Enterprise Fund, it is inappropriate to and we do not opine on the Management Discussion and Analysis tables.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 County's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
July 30, 2014

PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (UNAUDITED)

The discussion and analysis of Paulding County's (the County) financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2013. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2013 are as follows:

- Net cash position increased \$901,222 which represents a 11.2% increase over fiscal year 2012.
- The 2013 General fund receipts and other financing sources exceeded disbursements by \$253,166. The 2013 General fund beginning modified cash balance was \$1,554,987 whereas the ending modified cash balance was \$1,808,153.
- The County's major funds included the General, Motor Vehicle Gasoline Tax and the Paulding County Board of Developmental Disabilities (PCBDD).

Using the Basic Financial Statements

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

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

Report Components

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

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

Basis of Accounting

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

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

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

Reporting the County as a Whole

Statement of Net Position and Statement of Activities

The Statement of Position-Modified Cash Basis and Statement of Activities-Modified Cash Basis reflect how the County did financially during the fiscal year 2013. These statements include only net position using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

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

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

Most of the County's activities are reported in governmental funds which focus on how money flows into and out of these funds and the balances left at year-end available for spending in future periods. These funds are reported using modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether or not there are more or fewer modified cash basis financial resources that can be readily spent to finance various County programs. Since the County is reporting on the modified cash basis of accounting, there are no differences in the net position and fund cash balances or changes in the Net Position and changes in fund cash balances; therefore, no reconciliation is necessary between such financial statements. Differences will be apparent when comparing gross receipts and disbursements on the Fund Financial Statements to the Statements of Activities-Modified Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities-Modified Cash Basis.

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

Proprietary Fund

Enterprise funds use the same basis of accounting (modified cash basis) as business-type activities; therefore, these statements will essentially match the information provided in statements for the County as a whole. The County uses Enterprise funds to account for its various Auglaize sanitary sewer district operations.

Internal Service funds account for and report the financing of services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The County's internal service fund accounts for monies received for the activities of the self-insurance program for employee health benefits, which was operated until May 31, 2013. After May 31, 2013, the funds were used to accumulate premium dollars from various county funds to pay health insurance premiums.

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the County's own programs.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Recall that the Statement of Net Position-Modified Cash Basis provides the perspective of the County as a whole.

Table 1 provides a summary of the County's net position for 2013 compared to the prior year.

Table 1 - Net Cash Position (Modified Cash Basis)

	Governmental Activities 2013	Governmental Activities 2012 Restated	Business-type Activities 2013	Business-type Activities 2012	Total 2013	Total 2012 Restated
<u>Assets</u>						
Equity in Pooled Cash and Investments	\$ 8,745,601	\$ 8,018,181	\$ 236,742	\$ 62,940	\$ 8,982,343	\$ 8,081,121
<u>Net Position</u>						
Restricted	6,632,948	6,463,194	209,129	42,083	6,842,077	6,505,277
Unrestricted	2,112,653	1,554,987	27,613	20,857	2,140,266	1,575,844
Total Net Position	\$ 8,745,601	\$ 8,018,181	\$ 236,742	\$ 62,940	\$ 8,982,343	\$ 8,081,121

The total net position of the County increased \$901,222. Net cash position of governmental activities increased \$727,420 which represents an increase of 9.1% over fiscal year 2012. The increase in net position was primarily the result of (1) an increase in the Auglaize sanitary sewer project funds' receipts and (2) receipts from the new Timber Road II Wind Farm.

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

PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

Table 2 - Changes in Net Position (Modified Cash Basis)

	Governmental Activities 2013	Governmental Activities 2012 Restated
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$ 3,113,535	\$ 3,165,723
Operating Grants and Contributions	6,617,276	6,831,572
Capital Grants and Contributions	925,162	3,794,647
	<u>10,655,973</u>	<u>13,791,942</u>
Total Program Cash Receipts		
Property Taxes	2,631,875	2,640,401
Sales Tax	1,815,585	1,791,739
Payments in Lieu of Taxes	898,425	-
Unrestricted Grants and Entitlements	728,699	583,419
Proceeds from Debt	666,535	667,917
Investment Income	55,464	62,861
Loan Repayments	109,511	147,757
Insurance Proceeds	-	151,408
Miscellaneous	585,603	205,081
	<u>7,491,697</u>	<u>6,250,583</u>
Total General Cash Receipts		
Total Cash Receipts	<u>18,147,670</u>	<u>20,042,525</u>
Cash Disbursements:		
General Government	2,908,880	2,857,974
Public Safety	2,250,978	2,065,475
Public Works	4,704,852	4,015,437
Health	77,053	92,783
Human Services	4,528,311	4,732,074
Economic Promotion	587,177	749,404
Conservation/Recreation	75,000	16,373
Distribution of Payments in Lieu of Taxes	513,460	-
Miscellaneous	470,713	245,159
Capital Outlay	748,148	3,974,820
Debt Service:		
Principal Retirement	495,009	592,996
Interest and Fiscal Charges	60,669	152,550
	<u>17,420,250</u>	<u>19,495,045</u>
Total Cash Disbursements		
Change in Net Cash Position	727,420	547,480
Net Cash Position at Beginning of Year	8,018,181	7,470,701
Net Cash Position at End of Year	<u>\$ 8,745,601</u>	<u>\$ 8,018,181</u>

Program receipts decreased \$3,135,969 or 22.7% from 2012. This was primarily attributed to the decreases in capital grants and contributions associated with grant monies received from the U.S. Department of Agriculture for the Paulding-Defiance Joint Sewer project.

General receipts increased \$1,241,114, or 19.9% from 2012. This was primarily attributed to increases in proceeds from the sale of notes for the Paulding-Defiance Joint Sewer project as well as beginning to receive receipts from the Timber Road II wind farm.

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

General government represents activities related to the governing body as well as activities that directly support County Programs. In 2013, general government cash disbursements totaled \$2,908,880, or 16.3% of total governmental cash disbursements. General government Legislative and Executive programs were supported by \$1,693,861 in direct charges to users.

The County program, Public Safety, accounted for \$2,250,978 or 12.6% of total governmental cash disbursements. Public Safety programs relate to police protection, emergency management services, and 911 services for County residents. Public Safety programs were supported by \$389,348 in direct charges to users and operating grants and contributions.

The County program, Public Works, accounted for \$4,704,852 or 27.0% of total governmental cash disbursements. Public Works programs relate to betterment of County roads and related infrastructure. Public Works programs were supported by \$4,722,304 in direct charges to users, operating grants and contributions, and capital grants and contributions.

The County program, Human Services, accounted for \$4,528,311 or 26.0% of total governmental cash disbursements. Human Services programs primarily include Job and Family Services related programs and the Paulding County Board of Developmental Disabilities (PCBDD). Human Service programs were supported by \$2,999,227 in direct charges to users and operating grants and contributions.

Capital Outlay payments accounted for \$748,148 or 4.3% of total governmental cash disbursements. Capital Outlay payments were primarily supported with the sale of notes to the Ohio Water Development Authority for the construction of the Paulding-Defiance Joint Sewer Project.

Debt Service payments accounted for \$555,678 or 3.2% of total governmental cash disbursements. Debt Service payments are supported entirely by general receipts for the County Jail and Paulding Hospital debt.

Governmental Activities

The Statement of Activities-Modified Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2013. It identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

**Table 3
Governmental Activities (Modified Cash Basis)**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash Disbursements:				
General Government	\$ 2,908,880	\$ 2,857,974	\$ 1,171,737	\$ 1,076,302
Public Safety	2,250,978	2,065,475	1,861,630	1,704,287
Public Works	4,704,852	4,015,437	(17,452)	(5,061)
Health	77,053	92,783	(1,059)	(15,972)
Human Services	4,528,311	4,732,074	1,529,084	1,398,521
Economic Promotion	587,177	749,404	67,738	102,988
Conservation/Recreation	75,000	16,373	75,000	16,373
Distribution of Payments in Lieu of Tax	513,460	-	513,460	-
Miscellaneous	470,713	245,159	358,077	136,074
Capital Outlay	748,148	3,974,820	650,384	158,355
Debt Service:				
Principal Retirement	495,009	592,996	495,009	592,996
Interest and Fiscal Charges	60,669	152,550	60,669	152,550
Total Cash Disbursements	<u>\$ 17,420,250</u>	<u>\$ 19,495,045</u>	<u>\$ 6,764,277</u>	<u>\$ 5,317,413</u>

The dependence upon general cash receipts for governmental activities is apparent, with 43.0% of cash disbursements supported through taxes and other general cash receipts during 2013.

Financial Analysis of the County's Funds

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

Governmental Funds

The County's governmental funds and business-type funds are accounted for using the modified cash basis of accounting.

The County's governmental funds and business-type funds reported a combined fund cash balance of \$8,982,343 which is \$901,222 above last year's total of \$8,081,121. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2013 and December 31, 2012, for all major and non-major governmental funds and business-type funds.

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

	Balance at	Balance at	Increase
	12/31/2013	12/31/2012	(Decrease)
Major Funds:			
General	\$ 1,808,153	\$ 1,554,987	\$ 253,166
Motor Vehicle Gasoline Tax	621,914	799,229	(177,315)
PCBDD	2,237,038	1,895,632	341,406
	4,667,105	4,249,848	417,257
Other Governmental Funds	4,018,576	3,745,190	273,386
Internal Service Fund	59,920	23,143	36,777
Business-Type Activities	236,742	62,940	173,802
Total	\$ 8,982,343	\$ 8,081,121	\$ 901,222

The General fund is the main operating fund of the County. For 2013, receipts and other financing sources of \$5,061,791 and disbursements and other financing uses of \$4,808,625 resulted in a net increase of \$253,166 to the General fund's unassigned fund balance. Receipts increased by 14.8% and disbursements only increased by 8.6% from 2012. The County received \$898,425 from the Timber Road II wind farm, which began operation in 2013.

The Motor Vehicle Gasoline Tax fund reported receipts of \$3,610,075 primarily from gasoline tax, motor vehicle registration fees, and charges for services. Disbursements and other financing uses of \$3,787,390 were expended for road and bridge repairs and maintenance and debt principal payments. This resulted in a net decrease of \$177,315 in the Motor Vehicle Gasoline Tax unreserved fund balance.

The Paulding County Board of Developmental Disabilities (PCBDD) fund reported \$1,982,834 in receipts and disbursements of \$1,641,428 which resulted in a net increase of \$341,406 to the PCBDD's fund balance. The increase is primarily due to an overall increase in receipts over disbursements. Overall receipts decreased 49.4% from 2012; however, overall disbursements decreased 56.9%

Budgetary Highlights

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

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

For the General fund, change in estimated receipts from original to final budget was not significant. There was a 6.7% increase in appropriations from original to final budget. This was for expected increases in disbursements made to fund various disbursements and additional debt service payments. Actual receipts exceeded final estimated receipts by 6.0%. This was primarily attributed to increases in property tax and charges for services. Actual disbursements and other financing uses were 2.3% less than final appropriations.

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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For the Motor Vehicle Gasoline Tax fund, changes in estimated receipts from original to final budget were not significant. There was an 11.2% increase in appropriation from original to final budget. This was for expected increases in disbursements to fund public works projects. Actual receipts only exceeded final estimated receipts by 3.6% while actual disbursements were 4.6% less than final appropriations. This was due to overestimating the amount of public works disbursements in 2013.

For the Paulding County Board of Developmental Disabilities fund, there was no change in estimated receipts from original to final budget. There was also no significant increase in appropriations from original to final budget. Actual disbursements never exceeded the original appropriation amounts. Actual receipts only exceeded final estimates by 4.7%. Actual disbursements were 38.1% less than final appropriations. This was due to overestimating the amount of Human Service disbursements in 2013.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$748,148.

Debt Administration

The County had the following long-term debt obligations outstanding at December 31, 2013:

	<u>Long-Term Obligations</u>
Governmental Activities	
Ohio Department of Transportation (ODOT) SIB Loan	\$ 26,198
Various Purpose Refunding and Improvement Bonds (Paulding Hospital and Jail Debt)	1,940,000
Ohio Public Works Commission (OPWC) Loans	<u>92,501</u>
Total Governmental Activities Long-Term Obligations	<u>\$ 2,058,699</u>
Business-Type Activities	
United States Department of Agriculture (USDA) Sanitary Sewer Revenue Bonds	\$ 2,514,000
Ohio Water Development Authority (Auglaize River Area Sewer)	<u>959,608</u>
Total Business-Type Activities Long-Term Obligations	<u>\$ 3,473,608</u>

In addition, the County had short-term general obligation notes and County Commissioner's notes outstanding in the amounts of \$638,959 and \$6,943, respectively.

Economic Factors to be Considered for the Future

Under the State of Ohio's Amended Substitute House Bill 66, personal property tax revenue has been phased out over a period of four years beginning with 2005. The loss of personal property tax revenue is having a negative impact on the General fund. The full effects of this have not been seen as the state is

PAULDING COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

reimbursing a portion of the phased out personal property tax revenue; however, the State reimbursement dollars will now be phased out.

The voters of Paulding County approved a bond issue in 2006 and, along with a Bureau of Adult Detention grant, allowed for the financing of the construction of the new County jail. The new jail opened in 2007, however, a jail operating levy was not renewed by the voters and expired in the year 2006 with collections ending in 2007. The expiration of the jail operating levy greatly increased the financial burden on the General fund. The decision was made to close the jail facility with the jail being officially closed in November 2008 due to a lack of operating funds. The County Commissioners went to the voters for an additional (new) county current expense levy in November of 2008 but the levy was overwhelmingly defeated. There have been no more levies placed on the ballot since November 2008. Prisoners are now transported to Van Wert County for housing.

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

Requests for Information

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

PAULDING COUNTY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Investments	<u>\$ 8,745,601</u>	<u>\$ 236,742</u>	<u>\$ 8,982,343</u>
Net Position			
Restricted for:			
Debt Service	379,844	-	379,844
Capital Projects	384,451	-	384,451
Other Purposes	5,868,653	-	5,868,653
Unrestricted	<u>2,112,653</u>	<u>236,742</u>	<u>2,349,395</u>
<i>Total Net Position</i>	<u>\$ 8,745,601</u>	<u>\$ 236,742</u>	<u>\$ 8,982,343</u>

PAULDING COUNTY

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Cash Receipts				Net (Cash Disbursements) and Cash Receipts		Totals
	Cash Disbursements	Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	Changes in Net Cash Position		
					Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government:							
Legislative and Executive	\$ 2,018,311	\$ 1,457,165	\$ -	\$ -	\$ (561,146)	\$ -	\$ (561,146)
Judicial	890,569	236,696	43,282	-	(610,591)	-	(610,591)
Public Safety	2,250,978	108,323	281,025	-	(1,861,630)	-	(1,861,630)
Public Works	4,704,852	444,863	3,436,886	840,555	17,452	-	17,452
Health	77,053	-	78,112	-	1,059	-	1,059
Human Services	4,528,311	740,695	2,258,532	-	(1,529,084)	-	(1,529,084)
Economic Promotion	587,177	-	519,439	-	(67,738)	-	(67,738)
Conservation/Recreation	75,000	-	-	-	(75,000)	-	(75,000)
Distributions-Payments in Lieu of Taxes	513,460	-	-	-	(513,460)	-	(513,460)
Miscellaneous	470,713	112,636	-	-	(358,077)	-	(358,077)
Capital Outlay	748,148	13,157	-	84,607	(650,384)	-	(650,384)
Debt Service:							
Principal Retirement	495,009	-	-	-	(495,009)	-	(495,009)
Interest Charges	60,669	-	-	-	(60,669)	-	(60,669)
<i>Total Governmental Activities</i>	<u>17,420,250</u>	<u>3,113,535</u>	<u>6,617,276</u>	<u>925,162</u>	<u>(6,764,277)</u>	<u>-</u>	<u>(6,764,277)</u>
Business-Type Activities							
Sanitary Sewer	729,601	334,333	-	-	-	(395,268)	(395,268)
<i>Totals</i>	<u>\$ 18,149,851</u>	<u>\$ 3,447,868</u>	<u>\$ 6,617,276</u>	<u>\$ 925,162</u>	<u>(6,764,277)</u>	<u>(395,268)</u>	<u>(7,159,545)</u>
	General Cash Receipts						
	Property Taxes Levied For:						
					994,062	-	994,062
					932,949	-	932,949
					262,858	-	262,858
					312,077	-	312,077
					129,929	-	129,929
					1,815,585	-	1,815,585
					898,425	-	898,425
					728,699	-	728,699
					666,535	569,070	1,235,605
					55,464	-	55,464
					109,511	-	109,511
					-	-	-
					585,603	-	585,603
					<u>7,491,697</u>	<u>569,070</u>	<u>8,060,767</u>
					727,420	173,802	901,222
					8,018,181	62,940	8,081,121
					<u>\$ 8,745,601</u>	<u>\$ 236,742</u>	<u>\$ 8,982,343</u>

PAULDING COUNTY
STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<u>General</u>	<u>Motor Vehicle Gas Tax</u>	<u>Paulding County Board of Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Investments	<u>\$ 1,808,153</u>	<u>\$ 621,914</u>	<u>\$ 2,237,038</u>	<u>\$ 4,018,576</u>	<u>\$ 8,685,681</u>
Fund Balances					
Nonspendable	58,179	-	-	-	58,179
Restricted	-	621,914	2,237,038	3,773,996	6,632,948
Committed	-	-	-	244,580	244,580
Assigned	270,190	-	-	-	270,190
Unassigned	<u>1,479,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,479,784</u>
<i>Total Fund Balances</i>	<u>\$ 1,808,153</u>	<u>\$ 621,914</u>	<u>\$ 2,237,038</u>	<u>\$ 4,018,576</u>	<u>\$ 8,685,681</u>

PAULDING COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Motor Vehicle Gasoline Tax	Paulding Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Cash Receipts					
Property Taxes	\$ 994,061	\$ -	\$ 932,949	\$ 704,864	\$ 2,631,874
Sales Taxes	1,815,585	-	-	-	1,815,585
Payments in Lieu of Taxes	199,650	-	-	698,775	898,425
Charges for Services	874,392	197,752	395,983	1,024,886	2,493,013
Licenses and Permits	21,862	-	-	70,155	92,017
Fines and Forfeitures	55,917	23,148	-	219,011	298,076
Intergovernmental	728,699	3,388,679	580,721	3,573,039	8,271,138
Special Assessments	-	-	-	230,428	230,428
Investment Income	54,743	496	-	226	55,465
Loan Repayments	-	-	-	109,511	109,511
Other	157,351	-	19,811	408,441	585,603
<i>Total Cash Receipts</i>	<u>4,902,260</u>	<u>3,610,075</u>	<u>1,929,464</u>	<u>7,039,336</u>	<u>17,481,135</u>
Cash Disbursements					
Current:					
General Government:					
Legislative and Executive	1,669,324	-	-	385,764	2,055,088
Judicial	613,949	-	-	276,620	890,569
Public Safety	1,620,863	-	-	630,115	2,250,978
Public Works	-	3,698,419	-	1,006,433	4,704,852
Health	13,984	-	-	63,068	77,052
Human Services	183,630	-	1,640,094	2,704,587	4,528,311
Economic Promotion	31,373	-	-	555,804	587,177
Conservation-Recreation	75,000	-	-	-	75,000
Distribution of Payments in Lieu of Taxes	-	-	-	513,460	513,460
Miscellaneous	385,122	-	-	85,591	470,713
Capital Outlay	51,980	-	-	696,168	748,148
Debt Service:					
Principal Retirement	-	33,963	-	461,047	495,010
Interest and Fiscal Charges	-	1,146	-	59,523	60,669
<i>Total Cash Disbursements</i>	<u>4,645,225</u>	<u>3,733,528</u>	<u>1,640,094</u>	<u>7,438,180</u>	<u>17,457,027</u>
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>257,035</u>	<u>(123,453)</u>	<u>289,370</u>	<u>(398,844)</u>	<u>24,108</u>
Other Financing Sources (Uses)					
Proceeds from Debt	-	-	-	666,535	666,535
Transfers In	77,954	-	53,370	141,568	272,892
Transfers Out	(81,500)	(53,862)	(1,334)	(136,196)	(272,892)
Advances In	81,577	-	-	81,900	163,477
Advances Out	(81,900)	-	-	(81,577)	(163,477)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,869)</u>	<u>(53,862)</u>	<u>52,036</u>	<u>672,230</u>	<u>666,535</u>
<i>Net Change in Fund Cash Balances</i>	<u>253,166</u>	<u>(177,315)</u>	<u>341,406</u>	<u>273,386</u>	<u>690,643</u>
Fund Balance at Beginning of Year	1,554,987	799,229	1,895,632	3,745,190	7,995,038
<i>Fund Balance at End of Year</i>	<u>\$ 1,808,153</u>	<u>\$ 621,914</u>	<u>\$ 2,237,038</u>	<u>\$ 4,018,576</u>	<u>\$ 8,685,681</u>

PAULDING COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Budgetary Basis Receipts				
Property Taxes	\$ 907,400	\$ 907,400	\$ 994,061	\$ 86,661
Sales Taxes	1,811,000	1,811,000	1,815,585	4,585
Payments in Lieu of Taxes	261,717	261,717	199,650	(62,067)
Charges for Services	517,484	517,484	710,220	192,736
Licenses and Permits	2,550	2,550	21,862	19,312
Fines and Forfeitures	75,000	75,000	55,917	(19,083)
Intergovernmental	718,934	718,934	728,699	9,765
Investment Income	50,035	50,035	54,743	4,708
Other	118,013	119,513	151,373	31,860
<i>Total Budgetary Basis Receipts</i>	<u>4,462,133</u>	<u>4,463,633</u>	<u>4,732,110</u>	<u>268,477</u>
Budgetary Basis Disbursements				
Current:				
General Government:				
Legislative and Executive	1,611,979	1,569,175	1,521,454	47,721
Judicial	655,647	665,647	613,949	51,698
Public Safety	1,506,480	1,636,480	1,620,863	15,617
Health	21,400	21,400	13,984	7,416
Human Services	218,996	218,996	183,630	35,366
Economic Promotion	31,420	31,420	31,373	47
Conservation/Recreation	75,000	75,000	75,000	-
Miscellaneous	269,224	426,260	379,034	47,226
Capital Outlay	76,980	119,980	51,980	68,000
<i>Total Budgetary Basis Disbursements</i>	<u>4,467,126</u>	<u>4,764,358</u>	<u>4,491,267</u>	<u>273,091</u>
<i>Excess of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</i>	<u>(4,993)</u>	<u>(300,725)</u>	<u>240,843</u>	<u>541,568</u>
Other Financing Sources (Uses)				
Transfers In	-	-	77,954	77,954
Transfers Out	(125,500)	(125,500)	(81,500)	44,000
Advances In	-	-	81,577	81,577
Advances Out	(81,900)	(81,900)	(81,900)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(207,400)</u>	<u>(207,400)</u>	<u>(3,869)</u>	<u>203,531</u>
<i>Net Change in Fund Cash Balance</i>	<u>(212,393)</u>	<u>(508,125)</u>	<u>236,974</u>	<u>745,099</u>
Fund Cash Balance at Beginning of Year	<u>1,242,810</u>	<u>1,242,810</u>	<u>1,242,810</u>	<u>-</u>
<i>Fund Cash Balance at End of Year</i>	<u>\$ 1,030,417</u>	<u>\$ 734,685</u>	<u>\$ 1,479,784</u>	<u>\$ 745,099</u>

PAULDING COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES (BUDGETARY BASIS)
MOTOR VEHICLE GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary Basis Receipts				
Charges for Services	\$ 150,000	\$ 150,000	\$ 197,752	\$ 47,752
Fines and Forfeitures	25,000	25,000	23,148	(1,852)
Intergovernmental	3,310,000	3,310,000	3,388,679	78,679
Investment Income	500	500	496	(4)
<i>Total Budgetary Basis Receipts</i>	<u>3,485,500</u>	<u>3,485,500</u>	<u>3,610,075</u>	<u>124,575</u>
Budgetary Basis Disbursements				
Current:				
Public Works	3,501,052	3,876,410	3,698,419	177,991
Debt Service:				
Principal Retirement	17,413	33,963	33,963	-
Interest and Fiscal Charges	-	1,146	1,146	-
<i>Total Budgetary Basis Disbursements</i>	<u>3,518,465</u>	<u>3,911,519</u>	<u>3,733,528</u>	<u>177,991</u>
<i>Excess of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</i>	<u>(32,965)</u>	<u>(426,019)</u>	<u>(123,453)</u>	<u>302,566</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(53,862)	(53,862)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>(53,862)</u>	<u>(53,862)</u>
<i>Net Change in Fund Cash Balance</i>	<u>(32,965)</u>	<u>(426,019)</u>	<u>(177,315)</u>	<u>248,704</u>
Fund Cash Balance at Beginning of Year	<u>940,346</u>	<u>940,346</u>	<u>799,229</u>	
<i>Fund Cash Balance at End of Year</i>	<u>\$ 907,381</u>	<u>\$ 514,327</u>	<u>\$ 621,914</u>	<u>\$ 248,704</u>

**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES (BUDGETARY BASIS)
PAULDING COUNTY BOARD OF DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Budgetary Basis Receipts				
Property Taxes	\$ 991,000	\$ 991,000	\$ 932,949	\$ (58,051)
Charges for Services	410,000	410,000	395,983	(14,017)
Intergovernmental	432,900	432,900	580,721	147,821
Other	8,400	8,400	19,811	11,411
<i>Total Budgetary Basis Receipts</i>	<u>1,842,300</u>	<u>1,842,300</u>	<u>1,929,464</u>	<u>87,164</u>
Budgetary Basis Disbursements				
Current:				
Human Services	<u>2,641,500</u>	<u>2,651,166</u>	<u>1,640,094</u>	<u>1,011,072</u>
<i>Excess of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</i>	<u>(799,200)</u>	<u>(808,866)</u>	<u>289,370</u>	<u>1,098,236</u>
Other Financing Sources:				
Transfers In	52,036	52,036	53,370	1,334
Transfers Out	-	(1,334)	(1,334)	-
Total other financing (uses)	<u>52,036</u>	<u>50,702</u>	<u>52,036</u>	<u>1,334</u>
<i>Net Change in Fund Cash Balance</i>	(747,164)	(758,164)	341,406	1,099,570
Fund Cash Balance at Beginning of Year	<u>1,895,632</u>	<u>1,895,632</u>	<u>1,895,632</u>	<u>-</u>
<i>Fund Cash Balance at End of Year</i>	<u><u>\$ 1,148,468</u></u>	<u><u>\$ 1,137,468</u></u>	<u><u>\$ 2,237,038</u></u>	<u><u>\$ 1,099,570</u></u>

PAULDING COUNTY

**STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31,2013**

	Business Type Activities - Enterprise Funds	Governmental Activity - Internal Service Fund
Assets		
Equity in Pooled Cash and Investments	<u>\$ 236,742</u>	<u>\$ 59,920</u>
Net Position		
Unrestricted	<u>\$ 236,742</u>	<u>\$ 59,920</u>

PAULDING COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

	Business Type Activities - Enterprise Funds	Governmental Activity - Internal Service Fund
	<u> </u>	<u> </u>
Operating Cash Receipts		
Charges for Services	\$ 317,146	\$ 1,054,388
Special Assessments	17,187	-
Other Operating Cash Receipts	-	1,448
<i>Total Operating Cash Receipts</i>	<u>334,333</u>	<u>1,055,836</u>
 Operating Cash Disbursements		
Contractual Services	644,753	474,888
Claims	-	544,171
Interest	84,848	-
Total Operating Cash Disbursements	<u>729,601</u>	<u>1,019,059</u>
<i>Operating Income (Loss)</i>	<u>(395,268)</u>	<u>36,777</u>
 Other Financing Sources (Uses)		
Proceeds of Debt	<u>569,070</u>	-
<i>Total Other Financing Sources (Uses)</i>	<u>569,070</u>	-
 <i>Changes in Net Position</i>	173,802	36,777
Net Position at Beginning of Year	<u>62,940</u>	<u>23,143</u>
<i>Net Position at End of Year</i>	<u>\$ 236,742</u>	<u>\$ 59,920</u>

PAULDING COUNTY

STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2013

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ 2,660,576
Equity in Cash and Investments in Segregated Accounts	<u>232,858</u>
<i>Total Assets</i>	<u><u>\$ 2,893,434</u></u>
Net Position	
Unrestricted	<u><u>\$ 2,893,434</u></u>

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Paulding County, Ohio (the County) is a political and corporate body established in 1820 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is governed by a board of three Commissioners elected by the voters of the County and serving for four year terms. Other officials elected by the voters of the County that manage various segments of the County’s operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, Common Pleas Court Judge, Probate/Juvenile Court Judge, and the County Court Judge.

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

Reporting Entity

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

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

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

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

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

- Paulding County Health Department
- Paulding County Soil and Water Conservation District
- Paulding County Economic Development

Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest, or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the County does not report assets for equity interests in joint ventures.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

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

- Maumee Valley Planning Organization
- Tri-County Alcohol, Drug Addiction and Mental Health Board
- Antwerp Community Improvement Corporation
- Community Improvement Corporation of Paulding
- Four County Solid Waste District
- P.C. Workshop, Inc.
- County Risk Sharing Authority (See Note 8)
- Paulding County Carnegie Library

Maumee Valley Planning Organization is a jointly governed organization between Defiance, Fulton, Henry, Paulding and Williams counties and their respective townships. Its purpose is to act as a joint regional planning commission to write and administer state and federal grants and assist with housing rehabilitation. The 15 member governing board includes one County Commissioner from each member county. The main source of revenue is fees charged to administer grants and a per capita amount from each county. In 2013, the County paid administrative fees of \$87,951 to the organization.

Tri-County Alcohol, Drug Addiction and Mental Health Board of Mercer, Paulding and Van Wert counties is a jointly governed organization that provides leadership in planning for and supporting community based alcohol, drug addiction and mental health services in each member county. The governing board consists of 18 members of which 10 are appointed by the County Commissioners of Mercer, Paulding and Van Wert counties in the same proportion as the county's population bears to the total population of the three counties combined. During 2013, a tax levy produced \$268,968 for the operations of the organization.

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

Four County Solid Waste District is a joint venture between Defiance, Fulton, Paulding and Williams counties for the purpose of making waste disposal in the four county area more comprehensive in terms of recycling, incinerating and land filling. Its governing board consists of three commissioners from each member county. Financial records are maintained by the Williams County auditor. The district's sole revenue source is a waste disposal fee. The County received \$70,000 from the District in 2013 to administer its local solid waste reduction program.

P.C. Workshop, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of directors. P.C. Workshop, Inc., under a contractual agreement with the Paulding County Board of Developmental Disabilities (PCBDD), provides sheltered employment for developmentally disabled adults in Paulding County. The County provides building space and administrative staff to P.C. Workshop, Inc. as necessary for the operation of the workshop. The value of this in-kind contribution to the P.C. Workshop for 2012 was \$129,066. The in-kind contribution for 2013 is not available at the issue date of these financial statements. The entity issues stand-alone financial statements that may be obtained by writing to P.C. Workshop, Inc., 900 West Caroline Street, Paulding, Ohio 45879.

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

Since fiscal year 2004, the County has implemented the provisions of GASB 34 for financial reporting on a modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles in the United States of America, and GASB 38, for certain financial statement note disclosures. The implementation of these standards did not result in any changes to the County's financial statements.

The County's basic financial statements consist of government-wide financial statements, including a statement of net position – modified cash basis and a statement of activities – modified cash basis, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the County as a whole. These statements include the financial activity of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid duplicating the reporting of cash receipts and cash disbursements. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties for goods or services.

The Statement of Net Position presents the modified cash balance of governmental and business-type activities of the County at year end. The Statement of Activities compares disbursements and program receipts for each program or function of the County's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of goods or services offered by the program, grants and contributions that are restricted to meeting the operational requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct cash disbursements with program receipts identifies the extent to which each governmental program is self-financing on a modified cash basis or draws from the general receipts of the County.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

Fund Financial Statements

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

B. FUND ACCOUNTING

The County's accounts are maintained in the form of funds, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts. The funds of the County are presented in three categories: governmental, proprietary and fiduciary.

Governmental Funds – Governmental funds are those through which most governmental functions of the County are financed. The following are the County's major governmental funds:

General Fund – The General fund is the general operating fund of the County and is used for all financial resources not accounted for in another fund. The General fund is available to the County for any purpose provided it is expended or transferred according to Ohio law.

Motor Vehicle Gasoline Tax Fund – This fund accounts for and reports State levied, shared monies derived from gasoline taxes and the sale of motor vehicle licenses. Disbursements are restricted by State statute to county road and bridge repair and improvement programs.

Paulding County Board of Developmental Disabilities Fund – This fund accounts for and reports the operation of a school and the costs of administering a sheltered workshop for the developmentally disabled. Revenue sources include a countywide property tax levy and Federal and State grants. Disbursements are restricted by State statute and grant agreements to developmental disabilities programs.

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

Proprietary Funds

The County classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the County’s enterprise fund:

Auglaize Sewer Operation Funds – The sewer funds account for the sanitary sewer services provided to individuals and commercial users in the Auglaize sewer district of the County. The sewer district has its own facilities and rate schedules. The costs of providing these services are financed primarily through user charges. Revenues received from user charges are credited to four Sanitary Sewer funds: Revenue fund, Bond Payment fund, Debt Reserve fund, and Surplus fund. The Revenue fund is used for the upkeep and maintenance of the Sanitary Sewer System. The Bond Payment fund disburses debt payments to the U.S. Department of Agriculture. The Debt Reserve fund maintains a reserve balance to be used if debt payments cannot be made from the Bond Payment fund. The Surplus fund maintains an emergency reserve if debt payments cannot be made from the Bond Payment or Debt Reserve fund.

Internal Service Fund – The internal service fund accounts for and reports the financing of services provided by one department or agency to other departments or agencies of the County on a cash-reimbursement basis. The County’s internal service fund accounts for monies received for the activities of the self-insurance program for employee health benefits.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County’s own programs. The County has no trust funds.

Agency funds are purely custodial in nature and are used to account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions. The County’s only fiduciary funds are agency funds.

C. BASIS OF ACCOUNTING

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

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

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

D. CASH RECEIPTS – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

E. CASH DISBURSEMENTS

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

F. BUDGETARY PROCESS

All funds, except agency funds and the Hospital Fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and set annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. Since they represent a temporary cash flow resource intended to be repaid, advances in and advances out are not required to be budgeted. The legal level of control has been established by the County Commissioners at the fund, department and object level for all funds.

Budget

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

Estimated Resources

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

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

Appropriations

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

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

Encumbrances

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

G. POOLED CASH AND INVESTMENTS

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

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

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

During 2013, the County invested in money market funds, nonnegotiable certificates of deposit, federal, municipality, and corporate debt securities, and STAR Ohio. Investments are reported at cost, except for money market funds and STAR Ohio. The County's money market funds are recorded at the amount reported by First Federal Bank, First Financial Bank, Huntington National Bank and US Bank at December 31, 2013.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investments purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2013.

PAULDING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

Interest earnings are allocated to county funds according to state statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2013 were \$54,743, which includes \$ 46,313 assigned from other County funds.

H. INVENTORY AND PREPAID ITEMS

On the modified cash basis of accounting, inventories of supplies are reported as disbursements (current period expenses) when paid. These items are not reflected in the accompanying financial statements.

I. CAPITAL ASSETS

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

J. INTERFUND RECEIVABLES/PAYABLES

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

K. COMPENSATED ABSENCES

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

L. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

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

M. LONG TERM OBLIGATIONS

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

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

N. NET POSITION

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for, among other things, the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and developmentally disabled, and activities of the County's courts. At December 31, 2013, there were no amounts restricted by enabling legislation.

The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

O. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

Committed – The committed fund balance classification includes amounts that can be used only for specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other government funds, the unassigned classification is used only to report a deficit balance.

The County 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.

P. INTERFUND TRANSACTIONS

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

As part of Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting”, certain funds that are legally budgeted in separate funds (Unclaimed Monies, Records Equipment and Certificate of Title Funds) are considered part of the General Fund on the modified cash basis. The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement for the General fund:

	Fund Cash Balance <u>General Fund</u>
Cash Basis	\$ 1,808,153
Funds Elsewhere	<u>(328,369)</u>
Budgetary Basis	<u>\$ 1,479,784</u>

NOTE 4 – EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

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

- A. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States Treasury security that is a direct obligation of the United States.
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
- C. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
- D. Bond and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County.
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.
- F. No-load money market funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- G. The State Treasurer's investment pool (STAR Ohio).
- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either security described in division (1) or (2) or cash or both securities and cash, equal value for equal value.
- I. Up to twenty-five percent of the County's average portfolio in either of the following:
 - 1. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
 - 2. Bankers' acceptances eligible for purchases by the Federal Reserve System and which mature within 180 days after purchase.
- J. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
- K. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

- L. Up to one percent of the County’s average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States government, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers’ acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity.

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

Cash On Hand

At December 31, 2013, the County had \$1,250 of undeposited cash on hand, which is included on the statement of net position of the County as part of pooled cash and investments.

Deposits

At December 31, 2013, the carrying amount of all County bank deposits was \$9,073,591, and the bank balance was \$ 9,816,140.

Custodial credit risk for bank deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2013, \$ 5,258,307 of the County’s bank balances were exposed to custodial credit risk because it was uninsured and collateralized with securities held by pledging financial institution’s trust department or agent, but not in the County’s name.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires deposits be either insured or protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

Investments

At December 31, 2013, the County had the following investments:

Investment Type	Cost Value	Investment Maturities (in years)			
		Less than 1	1-2	3-4	4-5
Federal Home Loan Bank	\$ 210,000	\$ -	\$ -	\$ -	\$ 210,000
STAR Ohio	53,315	53,315	-	-	-
Federal National Mortgage Association	742,482	-	-	497,482	245,000
Federal Home Loan Mortgage Corp.	1,309,946	-	530,099	779,847	-
GE Capital Corp Notes	<u>250,961</u>	<u>250,961</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 2,566,704</u>	<u>\$ 304,276</u>	<u>\$ 530,099</u>	<u>\$ 1,277,329</u>	<u>\$ 455,000</u>

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the federal agency securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the County’s name.

The County has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

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

Credit Risk – The federal agency securities carry a rating of AAA by Moody’s. GE Capital Corp. carries an A1 rating by Moody’s Investors Services. STAR Ohio carries a rating of AAAm by Standard and Poor’s. The County has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

	<u>Cost Value</u>	<u>Percentage of Securities Portfolio</u>
Federal Home Loan Bank	\$ 210,000	8.2%
Federal National Mortgage Association	\$ 742,482	28.9%
Federal Home Loan Mortgage Corp	\$ 1,309,946	51.0%
GE Capital Corp. Notes	\$ 250,961	9.8%

NOTE 5 – PROPERTY TAX

Property taxes are levied against all real and public utility property located in the County. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2012 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Public utility tangible personal property currently is assessed at varying percentages of true value. Public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2013 with real property taxes.

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

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

The full tax rate applied to real property for all County operations for the fiscal year ended December 31, 2013 was \$14.18 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increase in property values, the effective tax rate was \$11.55 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$12.62 per \$1,000 of assessed valuation for all other property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio. The assessed values of real property and public utility property upon which 2013 property tax receipts were based are as follows:

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

NOTE 5 – PROPERTY TAX – (Continued)

Real Property	
Residential/Agricultural	\$ 290,420,200
Commercial/Industrial	33,516,220
Total real property	<u>323,936,420</u>
Tangible Personal Property-2012 Valuation	
Public utility	<u>29,034,230</u>
Total Valuation	<u>\$ 352,970,650</u>

The County Auditor reappraises all real property every six years with a triennial update. The last triennial update was completed for tax year 2013 and the reappraisal was completed for tax year 2010.

NOTE 6 – PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a one percent tax on all retail sales made in the County, and on the storage use, or consumption in the County of tangible personal property, including automobiles, and renewed a resolution to levy an additional one-half percent for permissive sales and use tax. The allocation of the sales tax is 100 percent of the county's general fund. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection.

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

Permissive sales and use tax receipts for 2013 was \$1,815,585.

NOTE 7 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2012, the County contracted with County Risk Sharing Authority (CORSA), a risk sharing pool, for liability, property and crime insurance. CORSA, a non-profit corporation is sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property and casualty and crime insurance coverage for its members. The CORSA program has a \$2,500 deductible. CORSA provided coverage as follows:

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

NOTE 7 - RISK MANAGEMENT – (Continued)

<u>Property</u>	
Building and Contents	Replacement Cost
Valuable Papers	\$1,000,000
Extra Expense/Business Income	\$1,000,000 Each Occurrence
Electronic Data Processing Equipment	\$100,000,000 Each Accident
Contractors Equipment	Replacement Cost
Flood and Earthquake	\$100,000,000 Annual Aggregate
Auto Physical Damage	Actual Cash Value or Cost of Repair
Sewer Lines	\$3,845,000
Electronic Data Media	\$100,000 Each Occurrence
Automatic Acquisition	\$5,000,000
Boiler and Machinery	\$100,000,000 Each Accident
Property in Transit	\$100,000 Each Occurrence
Unintentional Omissions	\$250,000 Each Occurrence
 <u>Liability</u>	
Automobile Liability	\$1,000,000 Each Occurrence
Uninsured/Underinsured Motorists	\$250,000 Each Occurrence
General Liability	\$1,000,000 Each Occurrence
Excess Liability	\$5,000,000 Each Occurrence
Law Enforcement Liability	\$1,000,000 Each Occurrence
Errors and Omissions Liability	\$1,000,000 Annual Aggregate
Attorney Disciplinary Proceedings	\$25,000 Annual Aggregate
 <u>Crime</u>	
Employee Dishonesty/Faithful Performance	\$1,000,000 Each Occurrence
Loss Inside the Premises (money and securities)	\$1,000,000 Each Occurrence
Loss Outside the Premises (money and securities)	\$1,000,000 Each Occurrence
Money Orders and Counterfeit Paper Currency	\$1,000,000 Each Occurrence
Depositors Forgery	\$1,000,000 Each Occurrence
Fund Transfer Fraud	\$500,000 Each Occurrence
Computer Fraud	\$500,000 Each Occurrence
Individual Public Official Bond Excess	\$250,000 Each Occurrence

With the exceptions of health insurance, life insurance, and workers' compensation, all insurance is held with CORSA. The County pays all elected officials' bonds by statute. There has been no significant reduction in insurance coverage from 2012, and settled claims have not exceeded this coverage in the past three years.

B. WORKERS' COMPENSATION GROUP RATING PROGRAM

For 2013, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (the Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

NOTE 7 - RISK MANAGEMENT – (Continued)

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

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

C. SELF INSURANCE

The County provided employee medical and life insurance through a self-insured program through May 31, 2013. The County established a self-insurance fund (an internal service fund) to account for and finance employee health benefits.

Under this program, the self-insurance fund provides coverage up to a maximum of \$25,000 for each individual annually. After \$25,000 the reinsurer covers up to an additional \$975,000 annually. There is unlimited lifetime coverage for each individual. There are no additional costs for the reinsurer.

All funds of the County, except for the County Engineer and Paulding County Board of Developmental Disabilities (PCBDD), participate in the program and make payments to the self-insurance fund based on estimates provided in the self-insurance agreements. The employees of the County Engineer and PCBDD receive medical and life insurance through their own commercial insurance. Employees participate in the payment of premiums for this coverage.

Reserve for incurred but unpaid claims as of December 31, 2013 was \$51,806.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety division exist only in the traditional pension plan.

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

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS – (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2013, members in state and local classifications contributed 10% of covered payroll; public safety members contributed 12.0%, and law enforcement members contributed 12.6%.

The County's contribution rate for 2013 was 14%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.1% of payroll. The portion of employer contributions allocated to healthcare was 4.0% for all employees. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14%, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1%.

The County's required contributions for pension obligations to traditional and combined plans for the years ended December 31, 2013, 2012 and 2011 were \$626,714, \$560,850 and \$558,363, respectively. The full amount has been contributed for each year.

B. STATE TEACHERS' RETIREMENT SYSTEM

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

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

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

Funding Policy - For the fiscal year ended June 30, 2013 (the latest information available), plan members are required to contribute 10% of their annual covered salaries. The County was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS – (Continued)

The County's required contributions for pension obligations to STRS Ohio for the fiscal years ended December 31, 2013, 2012 and 2011 were \$8,215, \$9,948 and \$9,201, respectively. The full amount has been contributed for each year.

NOTE 9 - POST EMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, local government employers contributed 14% of covered payroll (18.1% of covered payroll for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care for members in the traditional plan was 1.0% in 2013. The amount of employer contributions which was allocated to healthcare for members in the combined plan was 1.0% during calendar year 2013. The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post employment health care plan.

The County's required contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012 and 2011 were \$42,717, \$214,583 and \$214,344, respectively. The full amount has been contributed for each year.

B. STATE TEACHERS RETIREMENT SYSTEM

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

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

NOTE 9 - POST EMPLOYMENT BENEFITS – (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contribution equal to 1.0% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal years ended December 31, 2013, 2012, and 2011 were \$632, \$765 and \$707. The full amount has been contributed for each year.

NOTE 10 – OTHER EMPLOYEE BENEFITS

A. INSURANCE BENEFITS

The County provides life insurance and accidental death and dismemberment insurance to most employees through Consumer Life Ins. Co. The County provides employee medical insurance through ProClaim prior to June 1, 2013 and through Medical Mutual of Ohio after May 31, 2013. The premium varies with employees depending on the insurance coverage selected. The County pays a set portion of participating employees' health and life insurance premiums, with the balance being the individual employee's responsibility.

B. SICK LEAVE AND VACATION LEAVE

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

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

C. DEFERRED COMPENSATION

Employees of the County may elect to participate in the Ohio Public Employees Deferred Compensation program or the County Commissioners Association of Ohio program. Under these programs, employees authorize a voluntary payroll deduction, which is invested in a plan of their choice. The accumulated value of the account is not distributed to the employee until a future date, usually after retirement. The deferred pay and any income on it is not subject to income taxation until the distribution is made to the employee. These assets are placed in trust by the respective programs to comply with Internal Revenue Code provisions. Accordingly, these assets are not reflected in the accompanying financial statements. Employees of the County deferred \$101,350 under these two plans during 2013.

NOTE 11 – DEBT

A. SHORT-TERM DEBT

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

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

NOTE 11 – DEBT – (Continued)

	Interest Rate	Principal Outstanding 12/31/2012	Additions	Reductions	Principal Outstanding 12/31/2013
Governmental Activities					
<u>State Bank and Trust Company</u>					
General Obligation Notes					
Consolidated Note	1.91%	\$ 85,426	\$ -	\$ 85,426	\$ -
Consolidated Note	1.41%	-	58,668	-	58,668
Consolidated Note	1.36%	-	450,000	-	450,000
Jail Construction Note	1.43%	-	121,100	23,382	97,718
		<u>85,426</u>	<u>629,768</u>	<u>108,808</u>	<u>606,386</u>
<u>Antwerp Exchange Bank</u>					
General Obligation Notes					
Consolidated Note	2.25%	17,132	-	17,132	-
Consolidated Note	2.00%	58,667	-	58,667	-
Jail Construction Note	1.75%	121,000	-	121,000	-
Consolidated Note	1.50%	-	32,574	-	32,574
		<u>196,799</u>	<u>32,574</u>	<u>196,799</u>	<u>32,574</u>
<u>Paulding County Commissioners</u>					
Consolidated Note	1.67%	3,188	-	439	2,749
Consolidated Note	2.07%	-	4,194	-	4,194
		<u>3,188</u>	<u>4,194</u>	<u>439</u>	<u>6,943</u>
TOTAL		<u>\$ 285,413</u>	<u>\$ 666,536</u>	<u>\$ 306,046</u>	<u>\$ 645,903</u>

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

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

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

The Jail Construction – unvoted bond anticipation notes in the amount of \$121,000 were retired in September 2012 with proceeds from an unsecured loan with Antwerp Exchange Bank. The proceeds were used to refinance debt used for the renovation/construction of a new county adult detention facility. The loan was refinanced in 2013 with State Bank and Trust Company.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013
 (Continued)

NOTE 11 – DEBT – (Continued)

B. LONG TERM DEBT

The original issue date, interest rate, original issue amount, and balance at December 31, 2013 for the County’s long-term debt issues are as follows:

	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
Various Purpose Refunding and Improvement Bonds Unlimited Tax: Series 2011	2011	1.0 - 3.8%	\$ 2,230,000
Ohio Department of Transportation: SIB Loan County Road Project	2004	3.00%	125,067
Ohio Public Works Commission Loans:			
County Road Resurfacing	1997	0.00%	159,623
County Road Paving	1999	0.00%	188,617
USDA Sanitary Sewer Revenue Bonds, Series 2011	2011	3.38%	2,514,000
Ohio Water Development Authority: Auglaize River Area Sewers	2011	1.00%	1,390,000
			<u>\$ 6,607,307</u>

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

NOTE 11 – DEBT – (Continued)

The County’s long-term debt activity for the year ended December 31, 2013, was as follows:

	Restated Principal Outstanding 12/31/12	Additions	Reductions	Principal Outstanding 12/31/13	Due Within One Year
Governmental Activities:					
Ohio Department of Transportation (ODOT): SIB Loan County Road Paving	\$ 42,748	\$ -	\$ 16,550	\$ 26,198	\$ 16,996
Various Purpose Refunding and Improvements Bonds, Series 2012	2,095,000	-	155,000	1,940,000	160,000
Ohio Public Works Commission (OPWC) Loans:					
County Road Resurfacing	43,899	-	7,981	35,918	7,981
County Road Paving	66,014	-	9,431	56,583	9,431
Total OPWC Loans	109,913	-	17,412	92,501	17,412
Total Governmental Activities	<u>\$ 2,247,661</u>	<u>\$ -</u>	<u>\$ 188,962</u>	<u>\$ 2,058,699</u>	<u>\$ 194,408</u>
	Restated Principal Outstanding 12/31/2012	Additions	Reductions	Principal Outstanding 12/31/2013	Due Within One Year
Business-Type Activities					
United States Department of Agriculture (USDA): Sanitary Sewer Revenue Bonds	\$ 2,514,000	\$ -	\$ -	\$ 2,514,000	\$ 33,600
Ohio Water Development Authority Auglaize River Area Sewers	390,538	569,070	-	959,608	39,945
Total Business-Type Activities	<u>\$ 2,904,538</u>	<u>\$ 569,070</u>	<u>\$ -</u>	<u>\$ 3,473,608</u>	<u>\$ 73,545</u>

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

NOTE 11 – DEBT- (Continued)

The Various Purpose Refunding and Improvement Bonds, Series 2011 were issued to refinance the Paulding County Hospital Bonds and the voted Jail Bond Anticipation Note. The bonds, which were issued September 6, 2011, are payable from voted property tax revenues. At December 31, 2013, the bonds consisted of \$2,095,000 in current interest bonds. Of these bonds, \$650,000 were serial bonds and \$1,940,000 were term bonds. The serial bonds bear interest at the rates per year and will mature in the principal amounts and on the following dates:

Maturity Date	Principal Amount	Interest Rate
12/1/2014	160,000	1.2%
12/1/2015	160,000	2.0%
12/1/2016	160,000	2.0%
12/1/2017	170,000	2.0%
	<u>\$ 650,000</u>	

The term bonds, at various principal amounts and interest rates mature on December 1 annually starting December 1, 2018. These bonds are subject to mandatory sinking redemption at set amounts at a reduction price equal to 100% of the principal amount redeemed, plus accrued interest at the redemption date. Following is the schedule of the various bonds and their respective interest rates:

Bond Maturity Date	Principal Redemption Date	Principal Redemption Amount	Interest Rate
December 1, 2019	December 1, 2018	\$ 170,000	2.6%
	December 1, 2019	170,000	
		<u>\$ 340,000</u>	
December 1, 2021	December 1, 2020	\$ 180,000	3.0%
	December 1, 2021	180,000	
		<u>\$ 360,000</u>	
December 1, 2023	December 1, 2022	\$ 165,000	3.4%
	December 1, 2023	170,000	
		<u>\$ 335,000</u>	
December 1, 2026	December 1, 2024	\$ 75,000	3.8%
	December 1, 2025	90,000	
	December 1, 2026	90,000	
		<u>\$ 255,000</u>	
Total Term Bonds		<u>\$ 1,290,000</u>	

In 2004, the County obtained an Ohio State Infrastructure Bank (SIB) loan for the local matching share of the County Road 144 project. In July 2007, repayment began from the Motor Vehicle Gasoline Tax Special Revenue fund.

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

In connection with the Paulding-Defiance Joint Sewer Project, the County has available to draw \$430,392 on its Ohio Water Development Authority loan with interest at 1.0%. Principal payments start on the loan in 2014 and are repaid with revenue from the sanitary sewer system users on a semi-annual basis.

The United States Department of Agriculture (USDA) Sanitary Sewer Revenue bonds were issued to fund construction of the Paulding-Defiance Joint Sewer District sanitary sewer system in Auglaize Township of Paulding County. The bonds will be repaid by sewer usage charges paid by service recipients. The bonds, which were issued July 28, 2011, are payable, starting in July 2014 and continuing through July 2051, at a fixed rate of 3.375%. The bond issue was for \$2,514,000.

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PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

NOTE 11 – DEBT – (Continued)

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

Years Ended	Various Purpose Refunding and Improvement Bonds		Ohio Public Works Commission Loans		USDA Sanitary Sewer Revenue Bonds		Ohio Department of Transportation		Ohio Water Development Authority		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
December 31												
2014	\$ 160,000	\$ 52,440	\$ 17,412	\$ -	\$ 33,600	\$ 84,848	\$ 16,996	\$ 705	\$ 39,945	\$ 13,800	\$ 267,953	\$ 151,793
2015	160,000	50,520	17,412	-	34,700	83,714	9,202	334	40,345	13,400	261,659	147,968
2016	160,000	47,320	17,412	-	35,700	82,543	-	-	40,750	12,995	253,862	142,858
2017	170,000	44,120	17,412	-	37,100	81,338	-	-	41,158	12,587	265,670	138,045
2018	170,000	40,720	17,412	-	38,300	80,086	-	-	41,571	12,174	267,283	132,980
2019-2023	865,000	131,210	5,441	-	211,700	380,152	-	-	214,189	54,536	1,296,330	565,898
2024-2028	255,000	19,950	-	-	249,800	341,932	-	-	225,143	43,583	729,943	405,465
2029-2033	-	-	-	-	295,100	296,808	-	-	236,657	32,069	531,757	328,877
2034 & beyond	-	-	-	-	1,578,000	553,229	-	-	79,850	7,288	1,657,850	560,517
	<u>\$ 1,940,000</u>	<u>\$ 386,280</u>	<u>\$ 92,501</u>	<u>\$ -</u>	<u>\$ 2,514,000</u>	<u>\$ 1,984,650</u>	<u>\$ 26,198</u>	<u>\$ 1,039</u>	<u>\$ 959,608</u>	<u>\$ 202,432</u>	<u>\$ 5,532,307</u>	<u>\$ 2,574,401</u>

NOTE 12 – LEASE ARRANGEMENTS

The County leases construction equipment used by the Paulding County Engineer and a copier for use by the County Commissioners. The Engineers equipment consists of (3) International trucks, (2) Caterpillar backhoes, (1) Caterpillar pneumatic compacter, and miscellaneous office equipment. All payments are made from the Motor Vehicle Gas Tax Fund (Public Works account) which is designated as a major fund. Lease payments, including principal and interest, in the amount of \$122,036 were made in 2013.

Minimum lease payments, including interest, are as follows:

2014	103,167
2015	103,167
2016	103,967

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

NOTE 12 – LEASE ARRANGEMENTS – (Continued)

The County leases farm ground to tenant farmers under short term operating leases. Minimum future rental income on these leases are as follows:

2014	\$ 103,345
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The leases expire September 1, 2014.

NOTE 13 – PROVISION FOR UNCOMPENSATED ABSENCES

Accumulated unpaid vacation, personal, compensatory time and sick leave are not accrued under the modified cash basis of accounting described in Note 2. All leave will either be absorbed by time off from work, or within certain limitations, be paid to employees. The liability is not recorded on the financial statements.

NOTE 14 – CONTINGENT LIABILITIES

A. GRANTS

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

B. LEGAL MATTERS

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

NOTE 15 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

NOTE 15 – FUND BALANCES - (Continued)

Fund Balances	General	Motor Vehicle Gasoline Tax Fund	PCBDD Fund	Other Governmental	Total Governmental Funds
Restricted For:					
Legislative and Executive Programs	\$ -	\$ -	\$ -	\$ 898,701	898,701
Judicial Programs	-	-	-	568,720	568,720
Public Safety Programs	-	-	-	304,264	304,264
Public Works Projects	-	\$ 621,914	-	252,363	874,277
Human Service Programs	-	-	\$ 2,237,038	377,689	2,614,727
Economic Development	-	-	-	284,919	284,919
Health Programs	-	-	-	254,259	254,259
Other Purposes	-	-	-	321,150	321,150
Debt Service	-	-	-	379,844	379,844
Capital Projects	-	-	-	132,087	132,087
Total Restricted		621,914	2,237,038	3,773,996	6,632,948
Committed For:					
Human Service Programs	-	-	-	-	
Capital Improvements	-	-	-	244,580	244,580
Total Committed	-	-	-	244,580	244,580
Non-Spendable For:					
Unclaimed Monies	58,179	-	-	-	58,179
Assigned For:					
Budget Stabilization	270,190	-	-	-	270,190
Unassigned	1,479,784	-	-	-	1,479,784
Total Fund Balance	\$ 1,808,153	\$ 621,914	\$ 2,237,038	\$ 4,018,576	\$ 8,685,681

NOTE 16 – PUBLIC ENTITY RISK POOLS

A. COUNTY RISK SHARING AUTHORITY, INC.

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

NOTE 16 – PUBLIC ENTITY RISK POOLS – (Continued)

B. COUNTY COMMISSIONERS ASSOCIATION OF OHIO SERVICE CORPORATION

PAULDING COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

The County participates in a group rating plan for workers' compensation as established under section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as an insurance purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participants. The group executive committee consists of nine members. Two members are the president and treasurer of CCAOSC; the remaining seven members are representatives of the participants. These seven members are elected for the ensuing year by the participants at a meeting held in December of each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

NOTE 17 – TRANSFERS

During 2013, the County Commissioners authorized \$377,892 in transfers between funds, broken down into the following amounts:

- \$50,000 from the General fund to the Special Revenue fund for child services
- \$25,500 from the General fund to the unvoted Jail Debt Service fund to pay principal and interest due on the unvoted jail obligation
- \$6,000 from the General fund to the Special Revenue fund for the Extension Center to be used for expenses.
- \$53,862 from the Special Revenue Motor Vehicle Gas Tax fund to the Zylstra TIF Capital Projects fund for principal and interest due on the Zylstra note.
- \$136,041 from the Special Revenue Timber Road II Wind Farm fund (other governmental funds) to the following funds:
 - \$53,370 to the County Board of Developmental Disabilities Special Revenue fund
 - \$6,206 to the Senior Center Special Revenue fund
 - \$76,465 to the General fund
- \$1,489 from the Special Revenue fund, including \$1,334 from the Paulding Board of Developmental Disabilities and \$155 from the Senior Center (Other Governmental Funds) to the General fund for fees charged on handling the Timber Road II Wind Farm revenues.

The County Commissioners believe that all transfers were made in accordance with Ohio Revised Code 5705.14, 5705.15 and 5705.16.

NOTE 18 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment to restate long-term debt as of December 31, 2012 was required for OWDA debt that was unrecorded in the amount of \$390,538.

A prior period adjustment to restate long-term debt as of December 31, 2012 was required for USDA debt to be reclassified from Governmental Activities to Business Type Activities in the amount of \$2,514,000.

A prior period adjustment was made to restate Net Cash Position as of December 31, 2012 due to the internal service fund not being properly combined with the Governmental Activities. Prior year ending Net Cash Position as of December 31, 2012 was \$7,995,038; the adjustment was \$23,143 to make the new beginning Governmental Activities Net Cash Position as of January 1, 2013 \$8,018,181.

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PAULDING COUNTY, OHIO



Single Audit Reports

December 31, 2013

**PAULDING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/Pass - Through Grantor, Program Title	Pass-Through Entity Number	CFDA	Disbursements
US DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education Grants to States	066183-6BSF-2013 (2)	84.027	9,119
Total Passed Through Ohio Department of Education			9,119
TOTAL US DEPARTMENT OF EDUCATION			9,119
US DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through The Area Office of Aging of Northwestern Ohio, Inc.</i>			
Aging Cluster:			
Special Programs for the Aging- Title III Part B - Grants for Supportive Services and Senior Centers	(2) (3)	93.044	47,084
Special Programs for the Aging- Title III Part C - Nutrition Services	(2) (3)	93.045	76,697
Public Health Emergency Preparedness	(2) (3)	93.069	65,967
Total Aging Cluster			189,748
Total Passed through the Area Office of Aging of Northwestern Ohio, Inc.			189,748
<i>Passed Through Ohio Department of Job and Family Services</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0094 (2)	10.561	52,179
Promoting Safe and Stable Families	G-1213-11-0094 (2)	93.556	2,632
Temporary Assistance for Needy Families	G-1213-11-0094 (2)	93.558	307,533
Child Support Enforcement	G-1213-11-0094 (2)	93.563	109,771
Child Care and Development Block Grant	G-1213-11-0094 (2)	93.575	11,177
Community-Based Child Abuse Prevention Grants	G-1213-11-0094 (2)	93.590	417
Child Welfare Services State Grants	G-1213-11-0094 (2)	93.645	31,055
Foster Care Title IV-E	G-1213-11-0094 (2)	93.658	157,939
Adoption Assistance	G-1213-11-0094 (2)	93.659	2,692
Social Services Block Grants	G-1213-11-0094 (2)	93.667	194,682
Chafee Foster Care Independence Program	G-1213-11-0094 (2)	93.674	656
Children's Health Insurance Program	G-1213-11-0094 (2)	93.767	5,258
Medical Assistance	(2) (3)	93.778	51,130
Total Passed Through Ohio Job and Family Services			927,121
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant (Title XX)	(2) (3)	93.667	12,151
Medical Assistance Program	(2) (3)	93.778	74,118
Total Passed Through Ohio Department of Developmental Disabilities			86,269
TOTAL US DEPARTMENT OF HUMAN AND HEALTH SERVICES			1,203,138

(continued)

ELECTION ASSISTANCE COMMISSION***Pass Through the Ohio Secretary of State Office***

Voting Access for Individuals With Disabilities - Grants to States	(2) (3)	93.617	370
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Total Pass Through the Ohio Secretary of State Office			370
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TOTAL ELECTION ASSISTANCE COMMISSION			370
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US DEPARTMENT OF TRANSPORTATION***Passed Through Ohio Department of Transportation***

Highway Planning and Construction	PID #83343 (2)	20.205	302,823
Highway Planning and Construction	PID #84899 (2)	20.205	555,035

Total Passed Through Ohio Department of Transportation			857,858
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TOTAL US DEPARTMENT OF TRANSPORTATION			857,858
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US DEPARTMENT OF AGRICULTURE

Special Supplemental Nutrition Program for Women, Infants and Children	(1) (3)	10.557	101,028
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TOTAL US DEPARTMENT OF AGRICULTURE			101,028
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US DEPARTMENT OF LABOR***Passed Through Montgomery County WIA Area 7*****Workforce Investment Act (WIA) Cluster:**

WIA - Adult Program	2012-7163-1 / 2013-7163-1 (2)	17.258	15,337
WIA - Dislocated Worker Program	2012-7163-1 / 2013-7163-1 (2)	17.278	8,190

Total WIA Cluster			23,527
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TOTAL US DEPARTMENT OF LABOR			23,527
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US DEPARTMENT OF HOMELAND SECURITY***Passed Through the Ohio Department of Public Safety***

State Homeland Security Program	2010-SS-T0-0012 (2)	97.067	38,753
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Emergency Management Performance Grant	EMW-2013-EP-00060-S01 (2)	97.042	30,931
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Total Passed Through the Ohio Department of Public Safety			69,684
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TOTAL US DEPARTMENT OF HOMELAND SECURITY			69,684
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US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT***Passed Through the Ohio Department of Development***

HOME Investment Partnerships Program (CHIP)	B-C-11-1CF-2 (2)	14.239	331,747
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Community Development Block Grant (Formula)	B-F-12-1CF-1 (2)	14.228	67,000
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Community Development Block Grant (CHIP)	B-C-11-1CF-1 (2)	14.228	36,039
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Community Development Block Grant (Auglaize Sanitary Sewer)	B-W-09-1CF-1 (2)	14.228	16,500
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Community Development Block Grant (Revolving Loans)	(2) (3)	14.228	17,535
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Total Community Development Block Grant			137,074
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Total Passed Through the Ohio Department of Development			468,821
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TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			468,821
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(continued)

US DEPARTMENT OF JUSTICE
Passed Through the Ohio Attorney General

Crime Victim Assistance	2013VAFENE738 (2)	16.575	36,921
Total Passed Through the Ohio Attorney General			36,921
TOTAL US DEPARTMENT OF JUSTICE			36,921
TOTAL			<u>2,770,466</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- (1) - Direct Award
- (2) - Pass-Through Award
- (3) - Pass-Through Entity Number Not Available

See accompanying notes to the schedule of expenditures of federal awards.

PAULDING COUNTY

**NOTES TO FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

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

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

Activity in the CDBG revolving loan fund during 2013 is as follows:

Loans Receivable Balance, January 1, 2013	\$672,087
Loans Issued in 2013	0
Loan Principal Repaid on Loans Issued Prior to 2013	<u>(139,533)</u>
Ending Loans Receivable Balance as of December 31, 2013	<u>\$532,554</u>
Cash Balance on Hand in the Revolving Loan Fund as of December 31, 2013	<u>\$244,836</u>
Program Expenditures:	
Revolving Loans Issued in 2013	0
Revolving Loan Administrative Costs for 2013	17,535
Other Grants Administered Through the CDBG 14.228 Program	<u>119,539</u>
Total CDBG 14.228 Program	<u>\$137,074</u>

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2013, the County estimates \$36,817 to be uncollected.

NOTE C – MATCHING REQUIREMENTS

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

NOTE D – TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2013, the County made allowable transfers of \$94,914 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$307,533 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2013 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families (TANF)	\$402,447
Transfer to Social Services Block Grant (SSBG)	<u>(94,914)</u>
Total	<u>\$307,533</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paulding County (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 30, 2014, wherein we noted the County presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, and does not include financial data for the Paulding County Hospital, a legally separate blended component unit.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses – 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2013-2.

Paulding County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
July 30, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Paulding County's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated July 30, 2014, which contained unmodified opinions on those financial statements except for the adverse opinions on the business-type activities and major hospital enterprise fund, also we noted the County presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, as disclosed in Note 2. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to

the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
July 30, 2014

PAULDING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013

Section I – Summary of Auditor’s Results

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Adverse-Business Type Activities and Hospital Enterprise Fund Unmodified-Governmental Activities, Each Major Fund (except hospital enterprise fund), and aggregate remaining fund information.
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(ii)	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were the any other significant control deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list):</i>	Temporary Assistance for: Needy Families - CFDA #93.558 Highway Planning and Construction - CFDA #20.205 Home Improvement Partnerships Program (CHIP) - CFDA #14.239 Community Development Block Grant - CFDA #14.228
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding 2013 – 1 – Material Weakness – Controls Related to Financial Reporting

Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

A description of the financial statement adjustments and other items noted are as follows:

1. The Enterprise Fund (Sewer) was combined with the Other Governmental Funds in error.
2. Internal Service Fund was not properly included with the Entity Wide financial statements.
3. Net Position amounts were incorrectly recorded as restricted and should have been recorded as unrestricted.
4. Jail Construction Note principal payments and proceeds were recorded net rather than split out separately.
5. Footnote disclosures related to the OWDA Loan and USDA Debt were recorded in the Governmental Activities instead of Business-Type Activities and the amounts were incorrect. Also, the Debt Footnote did not foot and crossfoot.
6. The County holds investments and therefore should be reporting on the modified cash basis rather than cash basis.
7. The General Fund Budgetary Statement did not foot and crossfoot.

The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end. Although the County hires an outside CPA to prepare the financial statements, the County's Management is ultimately responsible for accuracy of the financial statements.

We recommend the County adopts policies and procedures for controls over recording of year-end financial transactions and over financial report to help ensure the information accurately reflects the activity of the County and thereby increasing the reliability of the financial data at year-end.

Officials Response: Management will develop a better process to oversee the Financial Reporting process.

Finding 2013 – 2 – Noncompliance – GAAP Reporting

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For fiscal year 2013, the County prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the modified cash basis, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures, that while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the County may be fined and subject to various other administrative remedies for its failure to file the required

financial report. Failure to report on a GAAP basis compromises the County's ability to evaluate and monitor the overall financial condition of the County.

We recommend the County prepare its financial statements on the GAAP basis of accounting.

Officials' Response:

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

Section III – Federal Award Findings and Questioned Costs

None

**PAULDING COUNTY
DECEMBER 31, 2013**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133**

Finding Number	Finding Summary	Finding Corrected	Explanation
2012-001	Ohio Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with GAAP.	No	The County did not do a GAAP Conversion at year end. The County prepared GASB 34 Look-Alike Statements.
2012-002	Material Weakness - General Fund Balance Classification	Yes	Fund Balances in the General Fund were corrected.
2012-003	Material Weakness - Budgetary Financial Statement Presentation	Yes	Presentation was corrected.

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Dave Yost • Auditor of State

PAULDING COUNTY FINANCIAL CONDITION

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 30, 2014