



OHIO AUDITOR OF STATE  
**KEITH FABER**





PAULDING COUNTY  
DECEMBER 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of County Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Paulding County, Ohio (the County), as of and for the ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the 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 opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

**Summary of Opinions**

Governmental Activities	Unmodified
Business-Type Activities	Adverse
General Fund	Unmodified
Governmental Fund - Motor Vehicle Gasoline Tax	Unmodified
Governmental Fund - Paulding County Board of Developmental Disabilities	Unmodified
Enterprise Fund - Paulding County Hospital	Adverse
Aggregate Remaining Fund Information	Unmodified

**Basis for Adverse Opinions on the Business-Type Activities and Enterprise Fund – Paulding County Hospital**

The financial statements omit financial data for the Paulding County Hospital, the County's blended component unit. Accounting principles generally accepted in the United States of America require the County's primary-government financial data to include component unit financial data. The County has not issued complete reporting-entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the amount of assets, net position, receipts, and disbursements the accompanying statements should present for the omitted blended component unit, cannot be reasonably determined.

**Adverse Opinions**

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinions on the Business-Type Activities and Enterprise Funds – Paulding County Hospital* paragraph, the financial statements referred to above do not present fairly, the cash financial position of the Paulding County Hospital Enterprise Fund or Business-Type Activities of Paulding County, Ohio as of December 31, 2018, or the changes in cash financial position or cash flows thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund except the Paulding County Hospital Fund, a blended component unit, and the aggregate remaining fund information of Paulding County, Ohio as of December 31, 2018, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle Gasoline Tax, and Paulding County Board of Developmental Disabilities Funds, thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

***Emphasis of Matter***

As discussed in Note 18 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

***Other Matters***

*Supplementary Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, 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 September 25, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

September 25, 2019

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## PAULDING COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 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, 2018. 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 2018 are as follows:

- Net position increased \$1,505,008 which represents a 10.93% increase over fiscal year 2017.
- The 2018 General Fund cash receipts exceeded cash disbursements by \$229,918.
- The 2018 General Fund beginning cash balance was \$2,393,322 whereas the ending cash balance was \$2,623,240.
- The County's major funds included the General Fund, Motor Vehicle Gasoline Tax Fund, and Paulding County Board of Developmental Disabilities (PCBDD) Fund.

#### **Using the Basic Financial Statements**

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

The annual report consists of a series of financial statements and notes to 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 – Cash Basis and the Statement of Activities – Cash Basis provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances.

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

#### **Reporting the County as a Whole**

##### **Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis**

The Statement of Position – Cash Basis and Statement of Activities – Cash Basis reflect how the County did financially during the fiscal year 2018. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

As a result of the use of the 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

**PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

These statements report the County's net position and the changes in that net position. Keeping in mind the limitations of the cash basis of accounting, this change in net position is important because it is 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 – Cash Basis and the Statement of Activities – Cash Basis, the County discloses two distinct kinds of activities, governmental activities and business-type activities. Most of the County's programs and services are reported as governmental activities, which include legislative, executive, and judicial government, public safety, public works, health, and human services. State and federal grants and sales and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. Business-type activities are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

**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 statements focus is on the County's most significant funds. The County's major funds are the General Fund, Motor Vehicle Gasoline Tax Fund, and Paulding County Board of Developmental Disabilities (PCBDD) Fund; all other governmental funds are considered non-major.

**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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether or not there are more or fewer cash basis financial resources that can be readily spent to finance various County programs.

The County's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General Fund and all annually budgeted major Special Revenue Funds are presented to demonstrate the County's compliance with annually adopted budgets.

**PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Proprietary Funds**

Enterprise funds use the same basis of accounting (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.

**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. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the County's only fiduciary fund type.

**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 – Cash Basis* provides the perspective of the County as a whole.

Table 1 provides a summary of the County's net cash position for 2018 compared to the prior year.

**Table 1 - Net Position (Cash Basis)**

	<b>Governmental Activities 2018</b>	<b>Governmental Activities 2017</b>	<b>Business-Type Activities 2018</b>	<b>Business-Type Activities 2017</b>	<b>Total 2018</b>	<b>Total 2017</b>
<b><u>Assets</u></b>						
Equity in Pooled Cash and Cash Equivalents	<u>\$ 14,818,091</u>	<u>\$13,355,506</u>	<u>\$ 453,623</u>	<u>\$ 411,200</u>	<u>\$ 15,271,714</u>	<u>\$ 13,766,706</u>
<b><u>Net Position</u></b>						
Restricted	\$ 12,121,643	\$11,211,911	\$ -	\$ -	\$ 12,121,643	\$ 11,211,911
Unrestricted	<u>2,696,448</u>	<u>2,143,595</u>	<u>453,623</u>	<u>411,200</u>	<u>3,150,071</u>	<u>2,554,795</u>
<b>Total Net Position</b>	<u>\$ 14,818,091</u>	<u>\$13,355,506</u>	<u>\$ 453,623</u>	<u>\$ 411,200</u>	<u>\$ 15,271,714</u>	<u>\$ 13,766,706</u>

The total net position of the County increased \$1,505,008. Net position of governmental activities increased \$1,462,585 which represents an increase of 10.95% over fiscal year 2017.

Table 2, on the following page, reflects the changes in net cash position for 2018 from the prior fiscal year.

PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
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Table 2 - Change in Net Position (Cash Basis)

	Governmental Activities 2018	Governmental Activities 2017	Business-Type Activities 2018	Business-Type Activities 2017	Total 2018	Total 2017
<b>Cash Receipts:</b>						
Program Cash Receipts:						
Charges for Services	\$ 4,610,955	\$ 2,584,521	\$ 274,646	\$ 279,392	\$ 4,885,601	\$ 2,863,913
Operating Grants and Contributions	6,652,340	6,339,919	-	-	6,652,340	6,339,919
Total Program Cash Receipts	11,263,295	8,924,440	274,646	279,392	11,537,941	9,203,832
General Cash Receipts:						
Property Taxes	3,989,473	4,057,073	-	-	3,989,473	4,057,073
Sales Taxes	2,058,474	2,157,337	-	-	2,058,474	2,157,337
Payments in Lieu of Taxes	780,110	1,819,879	-	-	780,110	1,819,879
Unrestricted Grants and Entitlements	793,699	788,093	-	-	793,699	788,093
Proceeds from Sale of Notes	206,666	91,241	-	-	206,666	91,241
Investment Income	262,296	170,934	-	-	262,296	170,934
Loan Repayments	45,531	67,941	-	-	45,531	67,941
Other	595,596	533,654	-	-	595,596	533,654
Sale of Capital Assets	35,262	-	-	-	35,262	-
Total General Cash Receipts	8,767,107	9,686,152	-	-	8,767,107	9,686,152
Total Cash Receipts	20,030,402	18,610,592	274,646	279,392	20,305,048	18,889,984

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**PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Table 2 - Change in Net Position (Cash Basis) (Continued)**

	<b>Governmental Activities 2018</b>	<b>Governmental Activities 2017</b>	<b>Business-Type Activities 2018</b>	<b>Business-Type Activities 2017</b>	<b>Total 2018</b>	<b>Total 2017</b>
<b>Cash Disbursements:</b>						
General Government	4,265,895	4,074,088	-	-	4,265,895	4,074,088
Public Safety	3,637,905	3,405,133	-	-	3,637,905	3,405,133
Public Works	5,388,003	4,975,419	-	-	5,388,003	4,975,419
Health	619,410	566,321	-	-	619,410	566,321
Human Services	2,689,174	2,566,439	-	-	2,689,174	2,566,439
Economic Promotion	431,814	659,302	-	-	431,814	659,302
Conservation/Recreation	107,000	107,000	-	-	107,000	107,000
Distribution of Payments of Lieu of Taxes	-	932,073	-	-	-	932,073
Sanitary Sewer	-	-	232,223	235,433	232,223	235,433
Miscellaneous	914,881	733,338	-	-	914,881	733,338
Capital Outlay	158,824	214,296	-	-	158,824	214,296
Debt Service:						
Principal Retirement	299,555	296,239	-	-	299,555	296,239
Interest and Fiscal Charges	55,356	59,156	-	-	55,356	59,156
<b>Total Cash Disbursements</b>	<b>18,567,817</b>	<b>18,588,804</b>	<b>232,223</b>	<b>235,433</b>	<b>18,800,040</b>	<b>18,824,237</b>
Change in Net Cash Position	1,462,585	21,788	42,423	43,959	1,505,008	65,747
Net Cash Position at Beginning of Year	13,355,506	13,333,718	411,200	367,241	13,766,706	13,700,959
Net Cash Position at End of Year	<u>\$ 14,818,091</u>	<u>\$ 13,355,506</u>	<u>\$ 453,623</u>	<u>\$ 411,200</u>	<u>\$ 15,271,714</u>	<u>\$ 13,766,706</u>

Program cash receipts of governmental activities increased \$2,338,855 or 26.21% from 2017. This was primarily attributed to the increase in charges for services for public works.

General cash receipts decreased \$919,045, or 9.49% from 2017. This was primarily attributed to a decrease in payment in lieu of taxes that were reclassified to an Agency fund in 2018.

General government cash disbursements represent activities related to the governing body as well as activities that directly support County programs. In 2018, general government cash disbursements totaled \$4,265,895, or 22.97% of total governmental cash disbursements. General government Legislative and Executive programs were supported by \$1,666,251 in direct charges to users and operating grants and contributions.

The County program, Public Safety, accounted for \$3,637,905 or 19.59% 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 \$402,049 in direct charges to users and operating grants and contributions.

**PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The County program, Public Works, accounted for \$5,388,003 or 29.02% of total governmental cash disbursements. Public Works programs relate to betterment of County roads and related infrastructure. Public Works programs were supported by \$5,938,451 in direct charges to users and operating grants and contributions.

The County program, Human Services, accounted for \$2,689,174 or 14.48% of total governmental cash disbursements. Human Services programs primarily include the Senior Center, Child Support Enforcement Agency (CSEA), and the Paulding County Board of Developmental Disabilities (PCBDD) related programs. Human Services programs were supported by \$1,045,809 in direct charges to users and operating grants and contributions.

Capital Outlay disbursements accounted for \$158,824 or 0.86% of total governmental cash disbursements. Capital Outlay disbursements are entirely supported by the County's general cash receipts.

Debt Service disbursements accounted for \$354,911 or 1.91% of total governmental cash disbursements. Debt Service disbursements are supported entirely by general receipts for the County Jail and Paulding County Hospital debt.

**Governmental Activities**

The Statement of Activities – Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2018. It identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Cash Disbursements:</b>				
General Government	\$ 4,265,895	\$ 4,074,088	\$ 1,734,351	\$ 2,033,969
Public Safety	3,637,905	3,405,133	3,235,856	2,986,706
Public Works	5,388,003	4,975,419	(550,448)	966,156
Health	619,410	566,321	(336,228)	(256,627)
Human Services	2,689,174	2,566,439	1,643,365	1,631,946
Economic Promotion	431,814	659,302	148,345	59,455
Conservation/Recreation	107,000	107,000	107,000	107,000
Distribution of Payments in Lieu of Taxes	-	932,073	-	932,073
Miscellaneous	914,881	733,338	808,546	633,995
Capital Outlay	158,824	214,296	158,824	214,296
Debt Service:				
Principal Retirement	299,555	296,239	299,555	296,239
Interest and Fiscal Charges	55,356	59,156	55,356	59,156
<b>Total Cash Disbursements</b>	<b><u>\$ 18,567,817</u></b>	<b><u>\$ 18,588,804</u></b>	<b><u>\$ 7,304,522</u></b>	<b><u>\$ 9,664,364</u></b>

**PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The dependence upon general cash receipts for governmental activities is apparent, with 39.34% of cash disbursements supported through taxes and other general cash receipts during 2018.

**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 cash basis of accounting.

The County's governmental funds and business-type funds reported a combined fund cash balance of \$15,271,714 which is \$1,505,008 above last year's total of \$13,766,706. The schedule on the following page indicates the fund cash balance and the total change in fund cash balance as of December 31, 2018 and December 31, 2017, for all major and non-major governmental funds and business-type funds.

	<b>Balance at 12/31/2018</b>	<b>Restated Balance at 12/31/2017</b>	<b>Increase (Decrease)</b>
<b>Major Funds:</b>			
General	\$ 2,623,240	\$ 2,393,322	\$ 229,918
Motor Vehicle Gasoline Tax	2,041,482	1,513,015	528,467
Paulding County Board of Developmental Disabilities	4,595,565	4,438,553	157,012
	<u>9,260,287</u>	<u>8,344,890</u>	<u>915,397</u>
Other Nonmajor Governmental Funds	5,557,804	5,010,616	547,188
Business-Type Activities	453,623	411,200	42,423
	<u>5,557,804</u>	<u>5,010,616</u>	<u>547,188</u>
<b>Total</b>	<b><u>\$ 15,271,714</u></b>	<b><u>\$ 13,766,706</u></b>	<b><u>\$ 1,505,008</u></b>

The General Fund is the main operating fund of the County. For 2018, receipts of \$6,810,122 and disbursements of \$6,580,204 resulted in a net decrease of \$229,918 to the General fund balance. Receipts increased by 10.84% and cash disbursements increased by 3.91% from 2017.

The Motor Vehicle Gasoline Tax Fund reported receipts of \$5,527,711 primarily from gasoline tax, motor vehicle registration fees, and charges for services. Disbursements of \$4,999,244 were expended for road and bridge repairs and maintenance and debt principal payments. This resulted in a net increase of \$528,467 in the Motor Vehicle Gasoline Tax fund balance. Receipts increased by 47.15% and disbursements increased by 5.02% from 2017.

The Paulding County Board of Developmental Disabilities (PCBDD) Fund reported \$1,762,705 in receipts and disbursements of \$1,605,693 which resulted in a net increase of \$157,012 to the PCBDD fund balance. Receipts increased by 2.05% and disbursements increased 6.07% from 2017.

**PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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, there was a 2.34% increase in estimated receipts from original to final budget. There was an 11.08% increase in appropriations from original to final budget. This was for expected increases in disbursements made to fund various expenses. Actual receipts exceeded final estimated receipts by 2.58%. This was primarily attributed to increases in payments in lieu of taxes. Actual disbursements were 6.77% less than final appropriations.

For the Motor Vehicle Gasoline Tax Fund, there was a 46.53% increase in estimated receipts from original to final budget. There was a 54.26% increase in appropriations from original to final budget. This was for expected increases in disbursements for public works projects. Actual receipts exceeded final estimated receipts by 6.22%. This was due to increased intergovernmental receipts. Actual disbursements were 8.75% less than final appropriations.

For the Paulding County Board of Developmental Disabilities Fund, there were no changes in estimated receipts from the original to final budget. There was a 1.08% increase in appropriations from original to final budget. Actual receipts exceeded final estimates by 32.86%. Actual disbursements were 21.85% less than final appropriations. This was due to overestimating the amount of Human Service disbursements in 2018.

**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 \$158,824.

**Debt Administration**

The County had the following long-term debt obligations outstanding at December 31, 2018:



**PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
UNAUDITED  
(Continued)**

	<b>Long-Term Obligations</b>
<b>Governmental Activities</b>	
Various Purpose Refunding and Improvement Bonds (Paulding Hospital and Jail Debt)	\$ 1,120,000
Ohio Public Works Commission (OPWC) Loan	9,432
JFS Building Loan	394,203
Eagle Creek Ditch Loan	120,000
Total Governmental Activities Long-Term Obligations	1,643,635
<b>Business-Type Activities</b>	
United States Department of Agriculture (USDA) Sanitary Sewer Revenue Bonds	2,334,600
Ohio Water Development Authority (Auglaize River Area Sewers)	818,933
Total Business-Type Long-Term Obligations	3,153,533
Total	\$ 4,797,168

In addition, the County had short-term general obligation notes outstanding in the amounts of \$78,000.

**Economic Factors to be Considered for the Future**

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 2016, and the levy was passed by voters. Prisoners are currently being housed in Paulding County.

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.

**PAULDING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**UNAUDITED**  
**(Continued)**

**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 North Williams Street, Suite 110, Paulding, Ohio 45879-1284.

PAULDING COUNTY

STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 14,818,091	\$ 453,623	\$ 15,271,714
<b>Net Position</b>			
Restricted for:			
Debt Service	\$ 425,943	\$ -	\$ 425,943
Capital Projects	427,445	-	427,445
Other Purposes	11,268,255	-	11,268,255
Unrestricted	<u>2,696,448</u>	<u>453,623</u>	<u>3,150,071</u>
<i>Total Net Position</i>	<u>\$ 14,818,091</u>	<u>\$ 453,623</u>	<u>\$ 15,271,714</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		Totals
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>						
General Government:						
Legislative and Executive	\$ 2,793,986	\$ 1,650,251	\$ 16,000	\$ (1,127,735)	\$ -	\$ (1,127,735)
Judicial	1,471,909	474,871	390,422	(606,616)	-	(606,616)
Public Safety	3,637,905	91,033	311,016	(3,235,856)	-	(3,235,856)
Public Works	5,388,003	2,196,654	3,741,797	550,448	-	550,448
Health	619,410	-	955,638	336,228	-	336,228
Human Services	2,689,174	91,811	953,998	(1,643,365)	-	(1,643,365)
Economic Promotion	431,814	-	283,469	(148,345)	-	(148,345)
Conservation/Recreation	107,000	-	-	(107,000)	-	(107,000)
Miscellaneous	914,881	106,335	-	(808,546)	-	(808,546)
Capital Outlay	158,824	-	-	(158,824)	-	(158,824)
Debt Service:						
Principal Retirement	299,555	-	-	(299,555)	-	(299,555)
Interest Charges	55,356	-	-	(55,356)	-	(55,356)
<i>Total Governmental Activities</i>	<u>18,567,817</u>	<u>4,610,955</u>	<u>6,652,340</u>	<u>(7,304,522)</u>	<u>-</u>	<u>(7,304,522)</u>
<b>Business-Type Activities</b>						
Sanitary Sewer	232,223	274,646	-	-	42,423	42,423
<i>Totals</i>	<u>\$ 18,800,040</u>	<u>\$ 4,885,601</u>	<u>\$ 6,652,340</u>	<u>(7,304,522)</u>	<u>42,423</u>	<u>(7,262,099)</u>
			<b>General Receipts</b>			
			Property Taxes Levied For:			
			General Purposes	1,411,080	-	1,411,080
			Developmental Disabilities	1,038,109	-	1,038,109
			Emergency 911 Service	484,458	-	484,458
			Debt Service	197,763	-	197,763
			Senior Center	231,775	-	231,775
			Jail Operations	626,288	-	626,288
			Sales Taxes	2,058,474	-	2,058,474
			Payments in lieu of taxes (wind energy)	780,110	-	780,110
			Grants and Entitlements not			
			Restricted to Specific Programs	793,699	-	793,699
			Proceeds from Sale of Notes	206,666	-	206,666
			Investment Income	262,296	-	262,296
			Loan Repayments	45,531	-	45,531
			Other	595,596	-	595,596
			Sale of Capital Assets	35,262	-	35,262
			<i>Total General Receipts</i>	<u>8,767,107</u>	<u>-</u>	<u>8,767,107</u>
			<i>Change in Net Position</i>	<u>1,462,585</u>	<u>42,423</u>	<u>1,505,008</u>
			<i>Net Position Beginning of Year</i>	<u>13,355,506</u>	<u>411,200</u>	<u>13,766,706</u>
			<i>Net Position End of Year</i>	<u>\$ 14,818,091</u>	<u>\$ 453,623</u>	<u>\$ 15,271,714</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2018

	General	Motor Vehicle Gasoline Tax	Paulding County Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,623,240	\$ 2,041,482	\$ 4,595,565	\$ 5,557,804	\$ 14,818,091
<b>Fund Balances</b>					
Nonspendable	\$ 91,597	\$ -	\$ -	\$ -	\$ 91,597
Restricted	-	2,041,482	4,595,565	5,484,596	12,121,643
Committed	-	-	-	73,208	73,208
Assigned	644,968	-	-	-	644,968
Unassigned	1,886,675	-	-	-	1,886,675
<i>Total Fund Balances</i>	<u>\$ 2,623,240</u>	<u>\$ 2,041,482</u>	<u>\$ 4,595,565</u>	<u>\$ 5,557,804</u>	<u>\$ 14,818,091</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Motor Vehicle Gasoline Tax	Paulding County Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Taxes	\$ 1,411,080	\$ -	\$ 1,038,109	\$ 1,540,284	\$ 3,989,473
Sales Taxes	2,058,474	-	-	-	2,058,474
Payments in Lieu of Taxes	496,637	-	164,188	119,285	780,110
Charges for Services	1,144,660	1,928,168	-	757,650	3,830,478
Licenses and Permits	1,325	-	-	73,182	74,507
Fines and Forfeitures	51,131	41,708	-	392,086	484,925
Intergovernmental	1,208,135	3,547,687	545,350	2,144,867	7,446,039
Special Assessments	-	-	-	221,044	221,044
Investment Income	250,009	10,148	-	2,139	262,296
Loan Repayments	-	-	-	45,531	45,531
Other	188,671	-	15,058	391,868	595,597
<i>Total Receipts</i>	<u>6,810,122</u>	<u>5,527,711</u>	<u>1,762,705</u>	<u>5,687,936</u>	<u>19,788,474</u>
<b>Disbursements</b>					
Current:					
General Government:					
Legislative and Executive	2,253,045	-	-	540,941	2,793,986
Judicial	873,018	-	-	598,891	1,471,909
Public Safety	2,050,978	-	-	1,586,927	3,637,905
Public Works	30,016	4,985,823	-	372,164	5,388,003
Health	39,606	-	-	579,804	619,410
Human Services	290,482	-	1,605,693	792,999	2,689,174
Economic Promotion	61,373	-	-	370,441	431,814
Conservation-Recreation	107,000	-	-	-	107,000
Miscellaneous	733,091	-	-	181,790	914,881
Capital Outlay	141,595	-	-	17,229	158,824
Debt Service:					
Principal Retirement	-	13,421	-	286,134	299,555
Interest and Fiscal Charges	-	-	-	55,356	55,356
<i>Total Disbursements</i>	<u>6,580,204</u>	<u>4,999,244</u>	<u>1,605,693</u>	<u>5,382,676</u>	<u>18,567,817</u>
<i>Excess of Receipts Over Disbursements</i>	<u>229,918</u>	<u>528,467</u>	<u>157,012</u>	<u>305,260</u>	<u>1,220,657</u>
<b>Other Financing Sources</b>					
Sale of Capital Assets	-	-	-	35,262	35,262
Proceeds from Sale of Notes	-	-	-	206,666	206,666
<i>Total Other Financing Sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,928</u>	<u>241,928</u>
<i>Net Change in Fund Balances</i>	229,918	528,467	157,012	547,188	1,462,585
<i>Fund Balances Beginning of Year (Restated)</i>	2,393,322	1,513,015	4,438,553	5,010,616	13,355,506
<i>Fund Balances End of Year</i>	<u>\$ 2,623,240</u>	<u>\$ 2,041,482</u>	<u>\$ 4,595,565</u>	<u>\$ 5,557,804</u>	<u>\$ 14,818,091</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$ 1,393,500	\$ 1,393,500	\$ 1,411,080	\$ 17,580
Sales Taxes	2,051,468	2,051,468	2,058,474	7,006
Payments in Lieu of Taxes	356,000	356,000	496,637	140,637
Charges for Services	1,016,481	1,154,571	956,127	(198,444)
Licenses and Permits	2,000	2,000	1,325	(675)
Fines and Forfeitures	100,000	100,000	51,131	(48,869)
Intergovernmental	800,304	800,304	793,699	(6,605)
Investment Income	130,250	130,250	250,009	119,759
Other	62,550	62,550	188,065	125,515
<i>Total Receipts</i>	<u>5,912,553</u>	<u>6,050,643</u>	<u>6,206,547</u>	<u>155,904</u>
<b>Disbursements</b>				
Current:				
General Government:				
Legislative and Executive	2,117,430	2,271,300	2,057,221	214,079
Judicial	861,868	918,695	873,018	45,677
Public Safety	2,016,696	2,067,501	2,050,978	16,523
Public Works	32,005	32,005	30,016	1,989
Health	35,000	45,000	39,606	5,394
Human Services	324,466	324,466	290,483	33,983
Economic Promotion	61,420	61,420	61,373	47
Conservation/Recreation	107,000	107,000	107,000	-
Miscellaneous	491,850	893,215	746,256	146,959
Capital Outlay	130,000	141,595	141,595	-
<i>Total Disbursements</i>	<u>6,177,735</u>	<u>6,862,197</u>	<u>6,397,546</u>	<u>464,651</u>
<i>Net Change in Fund Balance</i>	(265,182)	(811,554)	(190,999)	620,555
<i>Fund Balance Beginning of Year</i>	1,690,859	1,690,859	1,690,859	-
<i>Fund Balance End of Year</i>	<u>\$ 1,425,677</u>	<u>\$ 879,305</u>	<u>\$ 1,499,860</u>	<u>\$ 620,555</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
 MOTOR VEHICLE GASOLINE TAX FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Charges for Services	\$ 175,000	\$ 1,827,412	\$ 1,928,168	\$ 100,756
Fines and Forfeitures	25,000	25,000	41,708	16,708
Intergovernmental	3,350,000	3,350,000	3,547,687	197,687
Investment Income	1,500	1,500	10,148	8,648
<i>Total Receipts</i>	<u>3,551,500</u>	<u>5,203,912</u>	<u>5,527,711</u>	<u>323,799</u>
<b>Disbursements</b>				
Current:				
Public Works	3,534,087	5,465,192	4,985,823	479,369
Principal Retirement	17,413	13,421	13,421	-
<i>Total Disbursements</i>	<u>3,551,500</u>	<u>5,478,613</u>	<u>4,999,244</u>	<u>479,369</u>
<i>Net Change in Fund Balance</i>	-	(274,701)	528,467	803,168
<i>Fund Balance Beginning of Year</i>	1,513,015	1,513,015	1,513,015	-
<i>Fund Balance End of Year</i>	<u>\$ 1,513,015</u>	<u>\$ 1,238,314</u>	<u>\$ 2,041,482</u>	<u>\$ 803,168</u>

SEE ACCOMPANYING NOTES TO THE BASIC FIANCIAL STATEMENTS



PAULDING COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
 PAULDING COUNTY BOARD OF DEVELOPMENTAL DISABILITIES FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$ 1,016,000	\$ 1,016,000	\$ 1,038,109	\$ 22,109
Payments in Lieu of Taxes	100,000	100,000	164,188	64,188
Intergovernmental	201,693	201,693	545,350	343,657
Other	9,000	9,000	15,058	6,058
<i>Total Receipts</i>	<u>1,326,693</u>	<u>1,326,693</u>	<u>1,762,705</u>	<u>436,012</u>
<b>Disbursements</b>				
Current:				
Human Services	<u>2,032,707</u>	<u>2,054,717</u>	<u>1,605,693</u>	<u>449,024</u>
<i>Net Change in Fund Balance</i>	(706,014)	(728,024)	157,012	885,036
<i>Fund Balance Beginning of Year</i>	4,438,553	4,438,553	4,438,553	-
<i>Fund Balance End of Year</i>	<u>\$ 3,732,539</u>	<u>\$ 3,710,529</u>	<u>\$ 4,595,565</u>	<u>\$ 885,036</u>

SEE ACCOMPANYING NOTES TO THE BASIC FIANCIAL STATEMENTS

**PAULDING COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2018**

	<b>Business Type Activities - Enterprise Funds</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 453,623</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 453,623</u>

SEE ACCOMPANYING NOTES TO THE BASIC FIANCIAL STATEMENTS

**PAULDING COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Business Type Activities - Enterprise Funds</b>
<b>Operating Receipts</b>	
Charges for Services	\$ 252,162
Special Assessments	22,484
<i>Total Operating Receipts</i>	274,646
 <b>Operating Disbursements</b>	
Contractual Services	76,734
 <i>Operating Income</i>	197,912
 <b>Non-Operating Disbursements</b>	
Debt Service:	
Principal Retirement	(66,999)
Interest and Fiscal Charges	(88,490)
<i>Total Non-Operating Disbursements</i>	(155,489)
 <i>Change in Net Position</i>	42,423
<i>Net Position Beginning of Year</i>	411,200
<i>Net Position End of Year</i>	\$ 453,623

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAULDING COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2018

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,255,030
Equity in Cash and Investments in Segregated Accounts	<u>339,760</u>
<i>Total Assets</i>	<u>\$ 3,594,790</u>
<b>Net Position</b>	
Held on Behalf of Others	<u>\$ 3,594,790</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## PAULDING COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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#### NOTE 1 – REPORTING ENTITY

Paulding County, Ohio (the County) is a body politic 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 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 administrators of public services for the entire County.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading.

#### A. PRIMARY GOVERNMENT

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Paulding County, this includes the Paulding County Board of Developmental Disabilities and all departments and activities that are directly operated by the elected County officials.

#### B. COMPONENT UNITS

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; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County. The County has two component units, the Paulding County Hospital and the Paulding County Land Reutilization Corporation.

#### Blended Component Unit

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.

#### Discretely Presented Component Unit

The Paulding County Land Reutilization Corporation (the Corporation) is a body corporate and politic authorized by the Board of County Commissioners of Paulding County on June 26, 2017, and incorporated on August 9, 2017, under Chapter 1724 of the Ohio Revised Code. The Corporation's governing body is a five member board of directors consisting of the County Treasurer, two County Commissioners, a representative from the Village of Paulding, and a representative from Paulding Township. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, foreclosed, and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code. The Corporation meets the requirements and qualifies as a discretely presented component unit of the County; however, it has not been presented in the financial statements or note disclosure as it is considered immaterial. Financial information can be obtained by writing to Paulding County Land Reutilization Corporation, 115 North Williams Street, Paulding, Ohio 45879-1284.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

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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 organizations listed below, the County serves as fiscal agent, but the organizations are not considered part of Paulding County. Accordingly, the activity of the following organizations is presented as agency funds within the County's financial statements:

Paulding County Health Department  
Paulding County Soil and Water Conservation District

**C. JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY RISK POOLS, AND RELATED ORGANIZATIONS**

The County participates in several jointly governed organizations and public entity risk pools, and is associated with a related organization. These organizations are presented in Notes 15, 16, and 17. These organizations are:

Maumee Valley Planning Organization  
Tri-County Alcohol, Drug Addiction and Mental Health Board of Mercer, Paulding and Van Wert Counties  
Northwest Ohio Waiver Administration Council  
Antwerp Community Improvement Corporation  
Community Improvement Corporation of Paulding  
Four County Solid Waste District  
County Risk Sharing Authority, Inc.  
County Commissioners Association of Ohio Service Corporation  
County Employee Benefit Consortium of Ohio, Inc.  
Paulding County Carnegie Library

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in the Basis of Accounting section of this Note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the County's accounting policies.

**A. BASIS OF PRESENTATION**

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

**Government-Wide Financial Statements**

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange 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 – Cash Basis presents the cash balance of the governmental and business-type activities of the County at year end. The Statement of Activities – Cash Basis 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.

## PAULDING COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 (Continued)

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

#### **Fund Financial Statements**

During the year, the County segregates transactions related to certain County functions or activities in 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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

#### **B. FUND ACCOUNTING**

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the 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 accounts for and reports 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 for the developmentally disabled, financed by a county-wide 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 and report grants and other resources whose use is restricted, committed or assigned to 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 enterprise funds.

**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 County has no major Enterprise Funds.

**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.

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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**C. BASIS OF ACCOUNTING**

The County's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the County are described in the appropriate section in this note.

As a result of using of this cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related disbursements (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.

**D. BUDGETARY PROCESS**

All funds, except agency funds, 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. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

**E. CASH AND INVESTMENTS**

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County accounting records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

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 of the cash management pool and investments with a maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 2018, the County invested in money market mutual funds, nonnegotiable and negotiable certificates of deposit, a repurchase agreement, federal agency securities, commercial paper, and STAR Ohio. Investments are reported at cost, except for money market mutual funds and STAR Ohio. The County's money market mutual fund investments are recorded at the amount reported by Fifth Third Bank and U.S. Bank at December 31, 2018.



**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Investment income is allocated to County funds according to state statutes, grant requirements, or debt related restrictions. Interest income credited to the General Fund during 2018 were \$250,009, which includes \$222,208 assigned from other County funds.

**F. INVENTORY AND PREPAID ITEMS**

The County reports disbursements inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. CAPITAL ASSETS**

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

**H. 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.

**I. ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's cash basis of accounting

**J. 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 other postemployment benefits (OPEB).

**K. PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**L. LONG TERM OBLIGATIONS**

The County's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay disbursement is reported at inception. Lease payments are reported when paid.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

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**M. 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, 2018, 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.

**N. 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 fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**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 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.

**O. INTERFUND ACTIVITY**

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.

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**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 – Budget 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 difference between the budgetary basis of accounting and the cash basis of accounting is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). There were no encumbrances outstanding at year end (budgetary basis).

In addition, as part of Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting”, certain funds that are legally budgeted in separate funds (Unclaimed Monies, Recorder’s Supply Equipment, Certificate of Title, County Health Insurance, and Medicaid Sales Tax Transition Funds) are considered part of the General Fund on a cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General, Motor Vehicle Gasoline Tax, and Paulding County Board of Developmental Disabilities Funds:

	Net Change in Fund Cash Balance General Fund	Net Change in Fund Cash Balance Motor Vehicle Gasoline Tax Fund	Net Change in Fund Cash Balance Paulding County Board of DD Fund
Cash Basis	\$ 229,918	\$ 528,467	\$ 157,012
Funds Budgeted Elsewhere	<u>(420,917)</u>	<u>-</u>	<u>-</u>
Budgetary Basis	<u>\$ (190,999)</u>	<u>\$ 528,467</u>	<u>\$ 157,012</u>

**NOTE 4 – EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

Monies held by the County are classified by State statute into 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.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

- 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, and Government National Mortgage 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;

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

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- D. Bond and other obligations of this or the political subdivisions of this state, provided the bonds or obligations of political subdivisions mature within ten years from the date of settlement;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC Section 135.32;
- F. 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 or consisting exclusively of obligations described in (A) or (B) above; commercial paper as described in ORC Section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments 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 simultaneously exchange either securities or cash, equal value for equal value, within certain limitations;
- I. Up to forty percent of the County's average portfolio, if training requirements have been met, 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, which mature within 270 days after purchase, and the investment in commercial paper notes of a single issuer shall not exceed the aggregate five percent of interim monies available for investment at the time of purchase.
  - 2. Bankers' acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than 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. or any state provided the notes are rated in the three highest categories by at least two nationally recognized standard rating services at the time of purchase and the notes mature not later than three years after purchase;
- K. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation organized under ORC Chapter 1724; and,
- 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, subject to certain limitations. 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, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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 or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

**Cash On Hand**

At December 31, 2018, the County had \$1,213 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**

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, 2018, \$498,518 of the County’s bank balances of \$9,001,260 were exposed to custodial credit risk because those deposits were 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 whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Investments**

At December 31, 2018, the County had the following investments:

Investment Type	Cost Value	Investment Maturities (in Years)			
		Less than 1	1-2	2-3	3-4
Federal Home Loan Mortgage Corporation	\$ 1,302,960	\$ 457,960	\$ -	\$ 845,000	\$ -
Federal National Mortgage Association	865,000	250,000	265,000	350,000	-
Federal Home Loan Bank	800,000	-	-	800,000	-
Commercial Paper	2,671,749	2,671,749	-	-	-
Negotiable/Brokered CDs	1,530,000	248,000	538,000	248,000	496,000
Money Market Mutual Funds	60,130	60,130	-	-	-
STAR Ohio	1,030,017	1,030,017	-	-	-
Repurchase Agreement	2,143,586	2,143,586	-	-	-
<b>Total Investments</b>	<b>\$ 10,403,442</b>	<b>\$ 6,861,442</b>	<b>\$ 803,000</b>	<b>\$ 2,243,000</b>	<b>\$ 496,000</b>

Except for STAR Ohio, the County’s investments in money market mutual funds and a repurchase agreement are valued using quoted prices in active markets (Level 1 inputs). The County’s investments in federal agency securities, commercial paper, and negotiable CDs are valued using quoted market prices in markets that are not considered to be active, dealer quotation, or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

**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. The negotiable CDs are covered by FDIC. The repurchase agreement, federal agency securities, and commercial paper 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.”

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

**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 percent and be marked to market daily.

**Credit Risk** – The security underlying the repurchase agreement and federal agency securities carry a rating of AA+ and Aaa by Standard and Poor’s and Moody’s Investor Services, respectively. STAR Ohio carry a rating of AAAM by Standard and Poor’s. The money market mutual funds carry a rating of AAAM and Aaa by Standard and Poor’s and Moody’s, respectively. 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 and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The County’s investments in commercial paper were rated A-1+ or A-1 by Standard and Poor’s and P-1 by Moody’s.

**Concentration of Risk** – The County places no limit on the amount it may invest in any one issuer. The following table indicates the percentage of investments in the County’s portfolio held with various issuers as of December 31, 2018:

<u>Investment Type</u>	<u>Cost Value</u>	<u>% to Total</u>
Federal Home Loan Mortgage Corporation	\$ 1,302,960	12.52
Federal National Mortgage Association	865,000	8.32
Federal Home Loan Bank	800,000	7.69
Commercial Paper	2,671,749	25.68
Negotiable/Brokered CDs	1,530,000	14.71
Money Market Mutual Funds	60,130	0.58
STAR Ohio	1,030,017	9.90
Repurchase Agreement	<u>2,143,586</u>	<u>20.60</u>
Total	<u>\$ 10,403,442</u>	<u>100.00</u>

**NOTE 5 – PROPERTY TAX**

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019. 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.

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. 2018 public utility property taxes which became a lien on December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The County Treasurer collects property tax on behalf of all taxing districts within the County, including the County. The County Auditor periodically remits to the County its portion of the taxes collected.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

The full tax rate for all County operations for the year ended December 31, 2018 was \$14.42 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increase in property values, the effective tax rate was \$10.66 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$12.93 per \$1,000 of assessed valuation for all other property. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$ 414,648,360
Commercial/Industrial	35,201,520
Total real property	<u>449,849,880</u>
Public Utility Personal Property	<u>46,677,760</u>
Total	<u>\$ 496,527,640</u>

The County Auditor reappraises all real property every six years with a triennial update. The last triennial update was completed for tax year 2016 and the reappraisal was completed for tax year 2016.

**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, except sales of motor vehicles, and on the storage use, or consumption of tangible personal property in the County, including motor vehicles, not subject to the sales tax, 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. The State Tax Commissioner certifies to the Office of Budget and Management the amount of tax to be returned to the County. The Tax Commissioner’s certification must be made within forty-five days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County. Permissive sales and use tax receipts for 2018 was \$2,058,474.

**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 2018, the County contracted with County Risk Sharing Authority (CORSA) for insurance coverage. The CORSA program has a \$2,500 deductible. CORSA provided coverage as follows:

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

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<u>Property</u>	
Building and Contents	Replacement Cost
Valuable Papers	\$2,500,000 Each Occurrence
Extra Expense/Business Income	\$2,500,000 Each Occurrence
Electronic Data Processing Equipment	\$250,000 Each Occurrence
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
Pollutant Cleanup/Removal	\$10,000 Coverage Period
Law Enforcement Canines	\$50,000 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
Cyber Liability and Expense	\$1,000,000 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. There has been no significant reduction in insurance coverage from 2017, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.



PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**B. WORKERS' COMPENSATION GROUP RATING PROGRAM**

For 2018, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

*Net Pension Liability/Net OPEB Liability*

Pensions and OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability and the net OPEB liability represent the County's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the pension disclosures. See Note 9 for the OPEB disclosures.

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description – County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS’ CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Final average salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
<b>2018 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
 <b>2018 Actual Contribution Rates</b>			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\*\* This rate is also determined by OPERS' Board but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

\*\*\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County’s contractually required contribution was \$953,566 for year 2018.

***Pension Liability***

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

	OPERS <u>Traditional Plan</u>
Proportion of the Net Pension Liability:	
Current Measurement Date	0.036549%
Prior Measurement Date	<u>0.044762%</u>
Change in proportionate share	<u>-0.008213%</u>
Proportionate Share of the:	
Net Pension Liability	\$5,733,751

**Actuarial Assumptions – OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	<u>OPERS Traditional Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates were based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

**Discount Rate** The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing members are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the County’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability			
OPERS Traditional Plan	\$10,181,681	\$5,733,751	\$2,025,518

**Changes between Measurement Date and Report Date** This note should discuss the nature of changes between the measurement date of the collective net pension liability and the employer’s reporting date that are expected to have a significant effect on the employer’s proportionate share of the collective net pension liability, and the amount of the expected resultant change in the employer’s proportionate share of the collective net pension liability, if known. The pension systems periodically update their assumptions and discount rate; these changes should be evaluated for inclusion in this note.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

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**NOTE 9 – POSTEMPLOYMENT BENEFITS**

*Net OPEB Liability*

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. This GASB pronouncement had no effect on beginning net position as reported January 1, 2018, as the net OPEB liability is not reported in the accompanying financial statements. See Note 8 for a description of the net OPEB liability.

*Plan Description – Ohio Public Employees Retirement System*

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS’ CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, 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 Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS’ Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

The County's contractually required contribution was \$0 for 2018.

**Net OPEB Liability**

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS Traditional Plan</u>
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.004346%
Proportionate Share of the:	
Net OPEB Liability	\$4,719,436

**Actuarial Assumptions – OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

PAULDING COUNTY

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 (Continued)

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
34.00 %	1.88 %
21.00	6.37
6.00	5.91
22.00	7.88
17.00	5.39
<u>100.00 %</u>	<u>4.98 %</u>

**Discount Rate** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.



**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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***Sensitivity of the County’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The following table presents the County’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the County’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
County's proportionate share of the net OPEB liability	\$6,269,974	\$4,719,436	\$3,465,066

***Sensitivity of the County’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
County's proportionate share of the net OPEB liability	\$4,515,494	\$4,719,436	\$4,930,102

**NOTE 10 – OTHER EMPLOYEE BENEFITS**

**A. INSURANCE BENEFITS**

The County provides employee vision and dental coverage through County Employee Benefit Consortium of Ohio, Inc (CEBCO). The County provides life insurance and accidental death and dismemberment insurance to most employees through Mutual of Omaha. The County provides employee medical Aetna insurance through Wellnet Health Care. 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.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 \$118,165 under these two plans during 2018.

NOTE 11 – LEASES

A. CAPITAL LEASES

The County has entered into a capital lease for the purchase of three 2015 Western Star 4700 SB trucks with snow plow equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are made from the Motor Vehicle Gasoline Tax Fund. The three trucks acquired by lease are recorded in the amount of \$471,399, which is equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments began July 2015 in the amount of \$111,957. The County paid off the lease in 2018.

B. OPERATING LEASES

The County leases a copier and a postage meter for use by the County Commissioners. All payments are made from the General Fund. Lease payments, including principal and interest, in the amount of \$4,279 were made in 2018. Future lease payments for 2019, 2020, and 2021 are \$4,279, \$4,279, and \$428, respectively.

NOTE 12 – DEBT

A. SHORT-TERM DEBT

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

	Interest Rate	Outstanding 12/31/2017	Additions	Reductions	Outstanding 12/31/2018
<b>Governmental Activities</b>					
<u>Antwerp Exchange Bank</u>					
General Obligation Notes	2.00%	\$ 58,667	\$ -	\$ 58,667	\$ -
General Obligation Notes	4.00%	5	58,666	8,667	50,004
		<u>58,672</u>	<u>58,666</u>	<u>67,334</u>	<u>50,004</u>
<u>First Federal Bank of the Midwest</u>					
General Obligation Notes	2.30%	32,574	-	32,574	-
General Obligation Notes	4.22%	-	28,000	-	28,000
		<u>32,574</u>	<u>28,000</u>	<u>32,574</u>	<u>28,000</u>
TOTAL		<u>\$ 91,246</u>	<u>\$ 86,666</u>	<u>\$ 99,908</u>	<u>\$ 78,004</u>

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

Back in the early 2000's, the Community Improvement Corporation of Paulding (CIC) purchased two parcels of land within Paulding County to promote future economic development, specifically land for industrial parks. The notes were taken out to help with the purchase of the land until they were purchased by another company. Notes are rolled over on an annual basis; however, during 2018, a portion of the note principle was paid down on both notes.

**B. LONG TERM DEBT**

The original issue date, interest rate, original issue amount, and balance at December 31, 2018 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	1.00-3.8%	\$ 2,230,000
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%	959,608
JFS Building Loan	2014	3.10%	456,205
Eagle Creek Ditch Loan	2018	3.84%	120,000
			<u>\$ 6,628,053</u>

The County's long-term debt activity for the year ended December 31, 2018, was as follows:

	<u>Principal Outstanding 12/31/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 12/31/2018</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Various Purpose Refunding and Improvements Bonds, Series 2012	\$ 1,290,000	\$ -	\$ 170,000	\$ 1,120,000	\$ 170,000
Ohio Public Works Commission (OPWC) Loans:					
County Road Resurfacing	3,994	-	3,994	-	-
County Road Paving	18,859	-	9,427	9,432	9,432
Total OPWC Loans	<u>22,853</u>	<u>-</u>	<u>13,421</u>	<u>9,432</u>	<u>9,432</u>
JFS Building Loan	410,429	-	16,226	394,203	16,730
Eagle Creek Ditch Loan	-	120,000	-	120,000	13,075
Total Governmental Activities	<u>\$ 1,723,282</u>	<u>\$ 120,000</u>	<u>\$ 199,647</u>	<u>\$ 1,643,635</u>	<u>\$ 209,237</u>

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

	Principal Outstanding 12/31/2017	Additions	Reductions	Principal Outstanding 12/31/2018	Due Within One Year
<b>Business-Type Activities:</b>					
United State Department of Agriculture (USDA): Sanitary Sewer Revenue Bonds	\$ 2,372,900	\$ -	\$ 38,300	\$ 2,334,600	\$ 39,600
Ohio Water Development Authority Auglaize River Area Sewers	847,632	-	28,699	818,933	28,987
Total Business-Type Activities	<u>\$ 3,220,532</u>	<u>\$ -</u>	<u>\$ 66,999</u>	<u>\$ 3,153,533</u>	<u>\$ 68,587</u>

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, 2018, the bonds consisted of \$1,120,000 of term bonds. 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:

<u>Bond Maturity Date</u>	<u>Principal Redemption Date</u>	<u>Principal Redemption Amount</u>	<u>Interest Rate</u>
December 1, 2019	December 1, 2019	\$ 170,000	2.6%
December 1, 2021	December 1, 2020	180,000	3.0%
	December 1, 2021	<u>180,000</u>	
		360,000	
December 1, 2023	December 1, 2022	165,000	3.4%
	December 1, 2023	<u>170,000</u>	
		335,000	
December 1, 2026	December 1, 2024	75,000	3.8%
	December 1, 2025	90,000	
	December 1, 2026	<u>90,000</u>	
		255,000	
Total Term Bonds		<u>\$ 1,120,000</u>	

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 Special Revenue Motor Vehicle Gas Tax Fund ending with a semi-annual installment of \$7,981 in January 2018 and semi-annual installments of \$4,715 July 2018, January 2019 and July 2019.

In 2014, the County obtained a 10 year, 3.1% loan in the amount of \$456,205 to refinance the mortgage on the Job and Family Services (JFS) building. The mortgage is payable from the Capital Projects JFS Building Fund with annual installments of \$28,950.

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

In 2018, initial proceeds from a General Obligation Note were used for the construction and reconstruction of the Eagle Creek Ditch. 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 note in annual payments of \$15,000 starting on October 2019.

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.

In 2014, the County obtained a 30 year, 1% loan for the construction, maintenance, and operation of the Auglaize River Sanitary Sewer District from the Ohio Water Development Authority (OWDA). The loan is repaid from the Enterprise Sanitary Sewer Bond Payment Fund. The loan was payable starting in July 2015 and continuing through July 2043 with semi-annual installments of \$18,552.

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

Years Ended December 31	Various Purpose Refunding and Improvement Bonds		Ohio Public Works Commission Loans		USDA Sanitary Sewer Revenue Bonds		Ohio Water Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 170,000	\$ 36,300	\$ 9,432	\$ -	\$ 39,600	\$ 78,793	\$ 28,987	\$ 8,117
2020	180,000	31,880	-	-	40,800	77,456	29,277	7,826
2021	180,000	26,480	-	-	42,300	76,079	29,571	7,533
2022	165,000	21,080	-	-	43,800	74,652	29,867	7,236
2023	170,000	15,470	-	-	45,200	73,173	30,167	6,937
2024-2028	255,000	19,950	-	-	249,800	341,938	155,431	30,088
2029-3033	-	-	-	-	295,100	296,818	163,380	22,139
2034-2038	-	-	-	-	348,500	243,540	171,735	13,784
2039 & beyond	-	-	-	-	1,229,500	309,727	180,519	5,001
	<u>\$ 1,120,000</u>	<u>\$ 151,160</u>	<u>\$ 9,432</u>	<u>\$ -</u>	<u>\$ 2,334,600</u>	<u>\$ 1,572,176</u>	<u>\$ 818,933</u>	<u>\$ 108,661</u>

(Continued on next page)

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

(Continued from previous page)

Years Ended December 31	JFS Building Loan		Eagle Creek Ditch Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 16,730	\$ 12,220	\$ 15,000	\$ 2,747	\$ 279,749	\$ 138,177
2020	17,216	11,734	15,000	2,747	282,293	131,643
2021	17,782	11,168	15,000	2,747	284,653	124,007
2022	18,333	10,617	15,000	2,747	272,000	116,332
2023	18,902	10,048	15,000	2,747	279,269	108,375
2024-2028	305,240	9,488	45,000	8,241	1,010,471	409,705
2029-3033	-	-	-	-	458,480	318,957
2034-2038	-	-	-	-	520,235	257,324
2039 & beyond	-	-	-	-	1,410,019	314,728
	<u>\$ 394,203</u>	<u>\$ 65,275</u>	<u>\$ 120,000</u>	<u>\$ 21,976</u>	<u>\$ 4,797,168</u>	<u>\$ 1,919,249</u>

**NOTE 13 – CONTINGENT LIABILITIES**

**A. GRANTS**

Amounts grantor agencies pay to the County are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**NOTE 14 – 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 nonmajor governmental funds are presented below:

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

Fund Balances	General	Motor Vehicle Gasoline Tax Fund	PCBDD Fund	Other Governmental Funds	Total Governmental Funds
Restricted For:					
Legislative and Executive Programs				\$ 478,428	\$ 478,428
Judicial Programs				1,389,261	1,389,261
Public Safety Programs				1,348,894	1,348,894
Public Works Projects		\$ 2,041,482		212,834	2,254,316
Human Service Programs			\$ 4,595,565	267,119	4,862,684
Economic Development				355,205	355,205
Health Programs				270,213	270,213
Other Purposes				523,457	523,457
Debt Service				425,943	425,943
Capital Projects				213,242	213,242
<b>Total Restricted</b>		<b>2,041,482</b>	<b>4,595,565</b>	<b>5,484,596</b>	<b>12,121,643</b>
Committed For:					
Capital Improvements				73,208	73,208
Non-Spendable For:					
Unclaimed Monies	\$ 91,597				91,597
Assigned For:					
Subsequent Year Appropriations	644,968				644,968
Unassigned	1,886,675				1,886,675
<b>Total Fund Balance</b>	<b>\$ 2,623,240</b>	<b>\$ 2,041,482</b>	<b>\$ 4,595,565</b>	<b>\$ 5,557,804</b>	<b>\$ 14,818,091</b>

**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS**

Maumee Valley Planning Organization (MVPO) is a jointly governed organization between Defiance, Fulton, Henry, Paulding and Williams Counties and the respective townships and municipalities in each of those counties. Its purpose is to act as a joint regional planning commission to write and administer Community Development Block Grants and assist with housing rehabilitation in the area. MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer Community Development Block Grants and a per capita amount from each county. In 2018, the County paid administrative fees of \$35,000 to MVPO.

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 in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting, and advocating for the rights of persons as consumers of alcohol, drug addiction, and mental health services. The ability to influence operations depends on the County's representation on the Board.

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

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The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members 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. The majority of the Tri-County Alcohol, Drug Addiction and Mental Health Board's revenue comes from a property tax levied by the organization. During 2018, the tax levy produced \$322,711 for the operations of the organization. These monies were collected and distributed by the County on behalf of the Board. In addition, \$38,183 in payment in lieu of taxes from the windfarms were allocated to the organization.

Northwest Ohio Waiver Administration Council (NOWAC) is a jointly government organization created under the provisions of Chapter 167 of the Ohio Revised Code. NOWAC is organized as a council of governments as a voluntary organization of local County Boards of Developmental Disabilities in Allen, Defiance, Fulton, Henry, Paulding, Van Wert, and Williams Counties. NOWAC's Board of Council Members consists of the Superintendents of the member County Boards of Developmental Disabilities (County Boards of DD). The member County Boards of DD include: Allen, Defiance, Fulton, Henry, Paulding, Van Wert, and Williams Counties. Each of the participating counties has equal representation and no financial responsibility. NOWAC's purpose is to foster a cooperative effort in regional planning, programming, and the implementation of regional plans and programs. Its primary function is to oversee and obtain contracted services for its clientele in member counties. These services include various types of assistance provided by outside individuals or health care organizations for living maintenance of disabled clients so they can remain in their homes. Paulding County contributed \$299,046 towards NOWAC operations in 2018. Complete financial statements can be obtained from the Northwest Ohio Waiver Administration Council, 815 East Second Street, Suite B, Defiance, Ohio 43512-2511.

Antwerp Community Improvement Corporation and Community Improvement Corporation of Paulding are jointly governed organizations representing the Village of Antwerp, Paulding County, 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. The District was created in 1989. The District is governed and operated through a twelve member Board of Directors, consisting of three commissioners from each member county. Financial records are maintained by the Williams County Auditor in Bryan, Ohio. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. The County has an ongoing interest in the District. The County Commissioners are able to influence the Board of Directors to use the District's surplus resources to undertake special projects of interest of the County's citizens. In the event that a county withdraws from the District, this access to the net resources has not been explicitly defined, nor currently measurable. The County has no ongoing financial responsibility to the District. The District received \$100,000 from the County in 2018 to administer its local solid waste reduction program.

**NOTE 16 – PUBLIC ENTITY RISK POOLS**

**A. COUNTY RISK SHARING AUTHORITY, INC.**

The County Risk Sharing Authority, Inc. (CORSA) is a shared risk pool of sixty-six counties and forty-two county-affiliated public entities in Ohio. CORSA was formed as an Ohio not-for-profit corporation sponsored by the County Commissioners Association of Ohio, for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Members agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, law enforcement liability, crime and excess liability, certain property insurance, and public officials' errors and omissions liability insurance.

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.



PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

**B. COUNTY COMMISSIONERS ASSOCIATION OF OHIO SERVICE CORPORATION**

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 seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five 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.

**C. COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC. (CEBCO)**

The County is participating in an insurance group purchasing pool for employee benefit plan costs which was established under the authority granted by Section 9.833 of the Ohio Revised Code. The County Employee Benefit Consortium of Ohio, Inc. (CEBCO) was established to assist political subdivisions of the State of Ohio in controlling employee benefit plan costs.

CEBCO is responsible for obtaining and providing to members within 90 days after the last day of the year, a written report by a member of the American Academy of Actuaries concerning the benefit program.

This report shall certify whether the amounts reserved by CEBCO to cover potential cost of health care benefits for eligible officials, employees, and dependents are sufficient and are computed in accordance with accepted loss reserving standards. Each member political subdivision has a voting representative on the CEBCO Board.

**NOTE 17 – RELATED ORGANIZATION**

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 18 – RESTATEMENT OF FUND BALANCE**

On January 1, 2018, the County reclassified the activity of Special Revenue Medicaid Sales Tax Transition Fund, reported as part of Other Governmental Funds on the County's financial statements, to the General Fund, to properly report the fund in accordance with Governmental Accounting Standards Board Statement No. 54. The restatement had the following effect on fund balance:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Fund balance as previously reported December 31, 2017	\$ 2,067,642	\$ 5,336,296
Reclassification of funds	325,680	(325,680)
Fund balance as restated at January 1, 2018	<u>\$ 2,393,322</u>	<u>\$ 5,010,616</u>

PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

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**NOTE 19 – TAX ABATEMENTS**

The County is part of multiple Enterprise Zone tax abatement agreements with local businesses. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduced assessed value by a percentage agreed upon by all parties that authorize these types of agreements. Taxes can be abated up to 100% for up to fifteen years. A majority of the County's abatements are up to ten years or less and are 100% abated. The total value of real property subject to exemption for 2018 was \$3,995,970. The total value of taxes abated for 2018 was \$65,563.

The County is part of multiple Community Reinvestment Area (CRA) tax abatement agreements with local businesses. CRA areas are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Community Reinvestment Area Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduced assessed value by a percentage agreed upon by all parties that authorize these types of agreements. Taxes can be abated up to 100% for up to ten years. A majority of the County's abatements are up to ten years or less and are 100% abated. The total value of real property subject to exemption for 2018 was \$2,121,580. The total value of taxes abated for 2018 was \$49,234.

In addition, Haviland Village is a designated Community Reinvestment Area within the County with areas in which businesses and residences can receive tax incentives in the form of tax exemptions on eligible new investment. These tax abatements reduced assessed value by a percentage agreed upon by all parties that authorize these types of agreements. Businesses can be exempt up to 100% for fifteen years and residences 100% up to ten years. The total value of real property subject to exemption for 2018 \$2,572,080. The total value of taxes abated for 2018 was \$40,571.

**NOTE 20 – ACCOUNTABILITY AND COMPLIANCE**

**A. CHANGE IN ACCOUNTING PRINCIPLES**

For 2018, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 85, "Omnibus 2017", and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the County's postemployment benefit plan disclosures, as presented in Note 9 to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the County.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the County.

**PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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**B. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

Contrary to Ohio Rev. Code § 5705.10(D), payment in lieu of taxes receipts and disbursements totaling \$2,097,175 were inappropriately recorded in the Special Revenue Fund instead of an Agency Fund.

PAULDING COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Area Office of Aging of Northwestern Ohio, Inc.</i>			
<u>Aging Cluster:</u>			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2018	\$35,569
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2018	56,401
9 Nutrition Services Incentive Program	93.053	2018	23,445
Total Aging Cluster			<u>115,415</u>
<i>Passed Through Ohio Department of Job and Family Services</i>			
Child Support Enforcement	93.563	G-1819-11-5789	182,357
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	93.667	1801OHSOSR	12,049
<u>Medicaid Cluster</u>			
Medical Assistance Program	93.778	1805OH5ADM	7,486
Medical Assistance Program	93.778	1905OH5ADM	5,763
Total Medicaid Cluster			<u>13,249</u>
Total U.S. Department of Health and Human Services			<u>323,070</u>
<b>U.S. DEPARTMENT OF ELECTION ASSISTANCE COMMISSION</b>			
<i>Passed Through Ohio Secretary of State</i>			
2018 HAVA Election Security Grants	90.404	2018	6,000
Total U.S. Department of Election Assistance Commission			<u>6,000</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed Through Ohio Department of Emergency Management</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0531-16-01-00	17,850
Total U.S. Department of Transportation			<u>17,850</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed Through Ohio Department of Emergency Management</i>			
Pre-Disaster Mitigation	97.047	EMC-2016-PC-0001	4,412
Emergency Management Performance Grants	97.042	EMC-2017-EP-00006-S01	8,585
Emergency Management Performance Grants	97.042	EMC-2018-EP-00008-S01	2,595
Total Emergency Management Performance Grants			<u>11,180</u>
Total U.S. Department of Homeland Security			<u>15,592</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Development Services Agency</i>			
Home Investment Partnerships Program (Chip)	14.239	B-C-16-1AS-2	34,115
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			
Community Development Block Grants (Formula)	14.228	B-F-16-1CF-1	127,104
Community Development Block Grants (Formula)	14.228	B-W-16-1CF-1	133,100
Community Development Block Grants (Chip)	14.228	B-C-16-1AS-1	60,525
Community Development Block Grants (Revolving Loans)	14.228	2018	10,387
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>331,116</u>
Total U.S. Department of Housing and Urban Development			<u>365,231</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed Through Ohio Attorney General</i>			
Crime Victim Assistance	16.575	2018-VOCA-109844161	36,792
Crime Victim Assistance	16.575	2019-VOCA-132143163	10,721
Total U.S. Department of Justice			<u>47,513</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$775,256</u></u>

The accompanying notes are an integral part of this schedule.

**PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Paulding County (the County's) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE**

The current cash balance on the County's local program income account as of December 31, 2018 is \$353,835.

**NOTE E – 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 F – COST REPORT SETTLEMENTS**

During the calendar year, the County Board of Developmental Disabilities received notice of a liability owed for the 2014 Cost Report to the Ohio Department of Developmental Disabilities (ODODD) for the Medicaid program (CFDA #93.778) in the amount of \$102. The Cost Report Settlement liability was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This liability is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods and the liability was invoiced by the ODODD.

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

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paulding County, Ohio (the County) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated September 25, 2019, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. We issued an adverse opinion on the business-type activities and related major enterprise fund due to the County’s cash basis financial statements do not include the amounts related to the Paulding County Hospital. We also noted the County restated its beginning fund balances to correct a misstatement.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County’s financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-002 and 2018-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001 and 2018-002.

***County's Response to Findings***

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings or corrective action plan. We did not subject the County's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

September 25, 2019





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of County Commissioners:

***Report on Compliance for the Major Federal Program***

We have audited Paulding County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Paulding County's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal program.

***Management's Responsibility***

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for the County's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the County's major program. However, our audit does not provide a legal determination of the County's compliance.

***Basis for Qualified Opinion on Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii***

As described in finding 2018-004 in the accompanying schedule of findings, the County did not comply with requirements regarding Cash Management applicable to its CFDA 14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

***Qualified Opinion on Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii* paragraph, Paulding County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii major federal program for the year ended December 31, 2018.

***Report on Internal Control Over Compliance***

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement 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. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2018-004.

The County's response to our internal control over compliance finding is described in the accompanying schedule of findings or corrective action plan. We did not subject the County's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Paulding County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to the Major Federal Program and on Internal Control Over  
Compliance Required by the Uniform Guidance  
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State

Columbus, Ohio

September 25, 2019

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**PAULDING COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2018**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse – Business-Type Activities and Paulding County Hospital Enterprise Fund Unmodified – Governmental Activities, Each Major Fund (except Paulding County Hospital Enterprise Fund), and Aggregate Remaining Fund Information
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii – CFDA #14.228
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2018-001**

**Noncompliance Citation**

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

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

As a cost savings measure, the County prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 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. To help provide the users with more meaningful financial statements, the County should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:**

See Corrective Action Plan

**FINDING NUMBER 2018-002**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.10(D)** provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The County inappropriately recorded \$2,097,175 of payment in lieu of taxes receipts and disbursements in a Special Revenue Fund. Given the source of the revenue, this should have been recorded in an Agency Fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting this and another misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The County should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**Officials' Response:**

See Corrective Action Plan

### FINDING NUMBER 2018-003

#### Material Weakness – Financial Reporting

In our engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were identified in the accompanying financial statements:

- General Fund subsequent year appropriations in excess of estimated receipts were incorrectly classified as unassigned instead of assigned by \$644,968.
- Medicaid Sales Tax Transition Fund receipts, beginning fund balance, and ending fund balance totaling \$414,436, \$325,680, and \$740,116, respectively, were incorrectly classified as a Special Revenue Fund instead of being reported as part of the General Fund in accordance with GASB Statement No. 54.
- Homestead and rollback monies totaling \$119,623 were incorrectly classified as property taxes instead of intergovernmental revenues in the Paulding County Board of Developmental Disabilities Fund.
- Motor Vehicle Gasoline Tax Fund original and final budgetary beginning balances were understated by \$1,072,821 and \$1,107,821, respectively.
- Paulding County Board of Developmental Disabilities Fund original and final budgetary beginning balances were both understated by \$871,379.
- The activity of the Paulding County Hospital Enterprise Fund and Business Type Activities was omitted from the financial statements, resulting in an Adverse Opinion.

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

To help ensure the County's financial statements are complete and accurate, the County should adopt policies and procedures, including a final review of the statements by the County Auditor and the audit committee, to identify and correct errors and omissions. In addition, the County Auditor should also review the Audit Bulletin 2011-004 for guidance on GASB Statement No. 54 and include the activity of the Paulding County Hospital.

#### Officials' Response:

See Corrective Action Plan

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

<b>Finding Number:</b>	2018-004		
<b>CFDA Number and Title:</b>	CFDA #14.228 Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii		
<b>Federal Award Identification Number / Year:</b>	B-F-16-1CF-1/2016		
<b>Federal Agency:</b>	U.S. Department of Housing and Urban Development		
<b>Compliance Requirement:</b>	Cash Management		
<b>Pass-Through Entity:</b>	Ohio Development Services Agency		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Prior Audit Finding Number:</b>	N/A

**Noncompliance Citation and Material Weakness**

**2 C.F.R. § 2400.101** gives regulatory effect to the Department of Housing and Urban Development for **2 C.F.R. § 200.305(b)(1)** which states in part, that “advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs.”

The Ohio Development Services Agency (ODSA) Office of Community Development (OCD) Grant Operations and Financial Management Policy and Procedures indicates grantees must develop a cash management system to minimize the time elapsed between the funds transfer from OCD and funds disbursed by the grantee, in compliance with 2 C.F.R. § 200.305. Implementing the cash management system shall ensure disbursed OCD funds-on-hand balance is less than \$5,000 within 30 days of receiving the funds.

Due to deficiencies in procedures over cash management, Community Development Block Grant (CDBG) funds were not expended within 30 days to a fund balance of less than \$5,000 for one of four drawdowns of CDBG grant funding received during the audit period. Fund balances for the exception were not expended below \$5,000 until 255 days after they were received with unspent balances at 30 days of \$16,000.

Future funding requests could be denied if funds are not used for immediate cash requirements. The County should improve its cash management system and procedures to ensure compliance with the 30-day rule.

**Officials' Response:**

See Corrective Action Plan



# Paulding County Commissioners

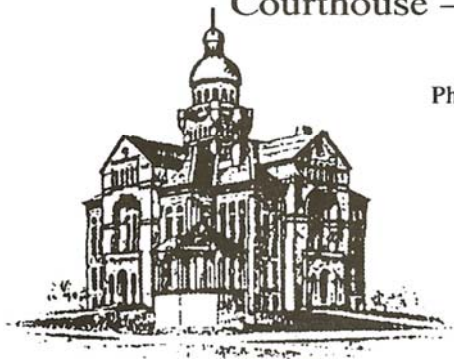
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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	This finding was first reported in 2016. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2018-003 in this report.	The County lacked a policy regarding financial review which contributed to material posting discrepancies. The lack of reviewing the financial statements resulted in material posting discrepancies in the current audit period. The County Auditor and departmental supervisors / elected officials will continue to monitor the County's financial statements and make changes as necessary.
2017-002	This finding has been reported since 1998. Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	Not corrected and reissued as Finding 2018-001 in this report.	This finding reoccurred since management believes reporting on a basis other than generally accepted accounting principles (GAAP) is more cost efficient and does not present a higher risk for the County's assets. The Paulding County Auditor annually reviews the decision to prepare the financial statements on the cash basis of accounting.

# Paulding County Commissioners

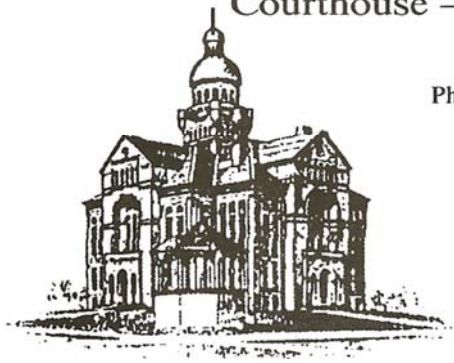
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## CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

DECEMBER 31, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Management believes reporting on a basis other than generally accepted accounting principles (GAAP) is more cost efficient and does not present a higher risk for the County's assets. The Paulding County Auditor annually reviews the decision to prepare the financial statements on the cash basis of accounting.	N/A	Claudia Fickel
2018-002	The County will reclassify payment in lieu of taxes receipts and disbursements from a Special Revenue Fund to an Agency Fund.	December 31, 2019	Claudia Fickel
2018-003	The County lacked a policy regarding financial review which contributed to material posting discrepancies. The lack of reviewing the financial statements resulted in material posting discrepancies in the current audit period. The County Auditor and departmental supervisors / elected officials will continue to monitor the County's financial statements and make changes as necessary.	December 31, 2019	Claudia Fickel
2018-004	Management is aware and understands the importance of the timely liquidation of advanced Federal grant funds and will ensure that future grant cash management requirements are identified and applied.	December 31, 2019	Claudia Fickel

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OHIO AUDITOR OF STATE  
KEITH FABER



**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  
OCTOBER 8, 2019**