



Dave Yost • Auditor of State



**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Defiance-Paulding Consolidated Department of Job and Family Services  
Defiance County  
6879 Evansport Road  
Defiance, Ohio 43512-6766

To the Board of Commissioners:

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio (the Department), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Department'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 accounting principles generally accepted in the United States of America; this includes 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 Department'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 Department's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Defiance-Paulding Department of Job and Family Services, Defiance County, Ohio, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the Department's basic financial statements taken as a whole.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual present additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017, on our consideration of the Department'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 Department's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 20, 2017

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**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED**

The management's discussion and analysis of the Defiance-Paulding Consolidated Department of Job and Family Services (the "Department") financial performance provides an overall review of the Department's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the Department's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Department's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- The total net position reported by the Department decreased \$47,100 from a deficit of \$1,037,737 to a deficit of \$1,084,837.
- General revenues accounted for \$1,025,380 or 19.07% of total governmental activities revenue. Program specific revenues accounted for \$4,351,434 or 80.93% of total governmental activities revenue.
- The Department had \$5,423,914 in expenses related to governmental activities. These expenses were partially offset by general revenues (reimbursements and other revenues) of \$1,025,380 and program specific revenues (charges for services and operating grants and contributions) of \$4,351,434.
- The Department's major governmental funds are the Public Assistance Fund, the Public Children Services Fund, and the Workforce Innovation and Opportunity Act Fund. The Public Assistance Fund had revenues of \$2,880,450 and expenditures of \$2,932,497 during 2016. The net decrease in fund balance for the Public Assistance Fund was \$52,047 or 6.02%.
- The Public Children Services Fund had revenues of \$2,235,654 and expenditures of \$1,905,703 during 2016. The net increase in fund balance for the Public Children Services Fund was \$329,951 or 75.37%.
- The Workforce Innovation and Opportunity Act Fund had revenues of \$322,391 and expenditures of \$396,073 during 2016. The net decrease in fund balance for the Workforce Innovation and Opportunity Act Fund was \$73,682 or 79.58%.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Department as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole Department, presenting both an aggregate view of the Department's finances and a longer-term view of those finances. Fund financial statements provide the next 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 Department's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Department, the Public Assistance Fund, the Public Children Services Fund, and the Workforce Innovation and Opportunity Act Fund are reported as major funds.

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED  
(Continued)**

**Reporting the Department as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains all funds used by the Department to provide programs and activities, the view of the Department as a whole looks at all financial transactions and asks the question, "How did the Department do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Department's net position and changes in net position. This change in net position is important because it tells the reader that, for the Department as a whole, the financial position of the Department has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of net position and the statement of activities include all of the Department's programs and services.

**Reporting the Department's Most Significant Funds**

*Fund Financial Statements*

Fund financial statements provide detailed information about the Department's major funds. The Department uses various funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Department's most significant funds. The Department's major governmental funds are the Public Assistance Fund, the Public Children Services Fund, and the Workforce Innovation and Opportunity Act Fund.

*Governmental Funds*

All of the Department's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the ending balances available for spending in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Department's operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

*Notes to the Basic Financial Statements*

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

*Required Supplementary Information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Department's net pension liability.

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

**Government-wide Financial Analysis**

During 2015, the Department adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Department's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Department's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Department is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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In accordance with GASB 68, the Department's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

The statement of net position provides the perspective of the Department as a whole. The table below provides a summary of the Department's net position for December 31, 2016 and December 31, 2015.

|  | Governmental Activities |                |
|--|-------------------------|----------------|
|  | 2016                    | 2015           |
| <b><u>Assets</u></b>                         |                         |                |
| Current assets                               | \$ 1,121,019            | \$ 902,756     |
| Capital assets, net                          | 28,528                  | 40,233         |
| Total assets                                 | 1,149,547               | 942,989        |
| <b><u>Deferred Outflows of Resources</u></b> |                         |                |
| Pension                                      | 1,012,645               | 305,620        |
| <b><u>Liabilities</u></b>                    |                         |                |
| Current liabilities                          | 279,976                 | 287,476        |
| Long-term liabilities:                       |                         |                |
| Due within one year                          | 323,998                 | 417,125        |
| Due in more than one                         | 138,144                 | -              |
| Net pension liability                        | 2,401,053               | 1,554,437      |
| Total liabilities                            | 3,143,171               | 2,259,038      |
| <b><u>Deferred Inflows of Resources</u></b>  |                         |                |
| Intergovernmental revenue not available      | 57,465                  | -              |
| Pension                                      | 46,393                  | 27,308         |
| Total deferred inflows of resources          | 103,858                 | 27,308         |
| <b><u>Net Position</u></b>                   |                         |                |
| Net investment in capital assets             | 11,147                  | 14,791         |
| Restricted                                   | 39,523                  | 126,528        |
| Unrestricted (deficit)                       | (1,135,507)             | (1,179,056)    |
| Total net position (deficit)                 | \$ (1,084,837)          | \$ (1,037,737) |

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the Department's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$3,247,029.

At December 31, 2016, capital assets represented 2.48% of total assets. Capital assets include machinery and equipment and vehicles. The Department's net investment in capital assets at December 31, 2016 was \$11,147. These capital assets are used to provide services and are not available for future spending. Although the Department's investment in capital assets is reported net of related debt, it should be noted that the resources to

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DEFIANCE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

At December 31, 2016, \$39,523 of Department's net position represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$1,135,507, which was the result of reporting the net pension liability required by GASB 68.

The table below provides a summary of the Department's changes in net position for governmental activities for 2016 and 2015.

|   | <b>Change in Net Position</b>             |   |
|---|---|---|
|   | Governmental<br>Activities<br><u>2016</u> | Governmental<br>Activities<br><u>2015</u> |
|   |   |   |
| <b><u>Revenues</u></b>                      |   |   |
| Program revenues:                           |   |   |
| Charges for services and sales              | \$ 40,740                                 | \$ -                                      |
| Operating grants and contributions          | 4,310,694                                 | 4,223,422                                 |
| Total program revenues                      | <u>4,351,434</u>                          | <u>4,223,422</u>                          |
| General revenues:                           |   |   |
| Reimbursements and other                    | 1,025,380                                 | 792,912                                   |
| Total general revenues                      | <u>1,025,380</u>                          | <u>792,912</u>                            |
| <b><u>Expenses</u></b>                      |   |   |
| Public assistance                           | 3,113,246                                 | 2,594,929                                 |
| Public children services                    | 1,909,605                                 | 2,405,851                                 |
| Workforce innovation and opportunity act    | 399,974                                   | 335,188                                   |
| Interest and fiscal charges                 | 1,089                                     | 1,482                                     |
| Total expenses                              | <u>5,423,914</u>                          | <u>5,337,450</u>                          |
| Change in net position                      | (47,100)                                  | (321,116)                                 |
| Net position (deficit) at beginning of year | <u>(1,037,737)</u>                        | <u>(716,621)</u>                          |
| Net position (deficit) at end of year       | <u>\$ (1,084,837)</u>                     | <u>\$ (1,037,737)</u>                     |

The Department is primarily funded by state and federal grants intended to assist individuals with medical expenses, foster care, child welfare, employment opportunities, and other social services. These grants are considered operating grants and contributions in the statement of activities, totaling \$4,310,694 during the year.

The most significant program expenses for the Department are related to public assistance. These expenses totaled \$3,113,246 during the year, representing 57,40% of total governmental activities expenses. The increase in both public assistance and workforce innovation and opportunity act expenses, which increased \$518,317 and \$64,786, respectively, were primarily related to modified and full accrual adjustments for payables and interfund reimbursements expected to be repaid at a later date (depending on that financial resources that become available to the responsible funds/departments), despite cash basis expenditures decreasing. Conversely, public children services expenses decreased \$496,246 as a result of modified and full accrual adjustments despite cash basis expenditures increasing, which was attributable to an increase in boarding and other associated service costs for treating children with drug addictions.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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UNAUDITED  
(Continued)

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by general revenues.

|  | <b>Governmental Activities</b> |                         |                           |                         |
|--|--------------------------------|-------------------------|---------------------------|-------------------------|
|  | Total Cost of<br>Services      | Net Cost of<br>Services | Total Cost of<br>Services | Net Cost of<br>Services |
|  | <u>2016</u>                    | <u>2016</u>             | <u>2015</u>               | <u>2015</u>             |
| <b>Program Expenses</b>                  |                                |                         |                           |                         |
| Public assistance                        | \$ 3,113,246                   | \$ 375,317              | \$ 2,594,929              | \$ (264,429)            |
| Public children services                 | 1,909,605                      | 601,918                 | 2,405,851                 | 1,433,754               |
| Workforce innovation and opportunity act | 399,974                        | 94,156                  | 335,188                   | (56,779)                |
| Interest and fiscal charges              | <u>1,089</u>                   | <u>1,089</u>            | <u>1,482</u>              | <u>1,482</u>            |
| Total                                    | <u>\$ 5,423,914</u>            | <u>\$ 1,072,480</u>     | <u>\$ 5,337,450</u>       | <u>\$ 1,114,028</u>     |

The dependence upon program specific revenues for governmental activities is apparent, with 80.23% of expenses supported through charges for services and operating grants and contributions.

**Governmental Funds**

The focus of the Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Department's financing requirements.

The Department' governmental funds reported a combined fund balance of \$723,531, which is \$204,222 more than last year's total of \$519,309. The table below indicates the fund balances and the total change in fund balances as of December 31, 2016 and December 31, 2015 for the governmental funds.

|   | Fund Balances<br>(Deficit)<br><u>December 31, 2016</u> | Fund Balances<br>(Deficit)<br><u>December 31, 2015</u> | Increase<br>(Decrease) | Percentage<br>Change |
|---|--|--|------------------------|----------------------|
| <b>Major Funds</b>                            |  |  |                        |                      |
| Public Assistance Fund                        | \$ 812,448   | \$ 864,495   | \$ (52,047)            | (6.02) %             |
| Public Children Services Fund                 | (107,824)  | (437,775)  | 329,951                | 75.37 %              |
| Workforce Innovation and Opportunity Act Fund | <u>18,907</u>  | <u>92,589</u>  | <u>(73,682)</u>        | (79.58) %            |
| Total   | <u>\$ 723,531</u>                                      | <u>\$ 519,309</u>                                      | <u>\$ 204,222</u>      | 39.33 %              |

The Public Assistance Fund had intergovernmental grants and entitlements totaling \$2,693,824 during the year. This revenue source, in addition to charges for services of \$40,740 and reimbursements and other revenues of \$145,886, was not sufficient to cover the Public Assistance Fund expenditures of \$2,932,497, resulting in a decrease in fund balance during 2016.

The Public Children Services Fund received intergovernmental revenue of \$1,359,607, contributions and donations of \$350, and reimbursements and other revenues of \$875,697 during the year. These revenue sources were adequate to provide for the Public Children Services Fund expenditures of \$1,905,703 incurred during the year.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The Workforce Innovation and Opportunity Act Fund received intergovernmental revenue of \$319,141 and reimbursement and other revenue of \$3,250 during the year. These revenue sources were not adequate to provide for the Workforce Innovation and Opportunity Act Fund expenditures of \$396,073 incurred during the year.

**Budgeting Highlights**

The Department's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the Department' appropriations which are restricted by the amounts of anticipated revenues certified by the County Budget Commission in accordance with the ORC. Therefore, the Department's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

The Department's budget is reflected in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual for the Public Assistance Fund, the Public Children Services Fund, and the Workforce Innovation and Opportunity Act Fund and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

In the Public Assistance Fund, the original budgeted revenues were \$4,487,000, which were increased in the final budget to \$4,910,678. Actual revenues of \$3,702,295 were \$1,208,383 less than the final budgeted revenues. The original budgeted expenditures were \$4,470,326, which were increased in the final budget to \$5,031,805. Actual expenditures of \$3,715,357 were \$1,316,448 less than the final budgeted expenditures.

In the Public Children Services Fund, the original budgeted revenues were \$1,891,000, which were increased in the final budget to \$2,212,499. Actual revenues of \$2,216,007 were \$3,508 more than the final budgeted revenues. The original budgeted expenditures were \$1,851,043, which were increased in the final budget to \$2,554,678. Actual expenditures of \$2,246,407 were \$308,271 less than the final budgeted expenditures.

In the Workforce Innovation and Opportunity Act Fund, the original budgeted revenues were \$435,100, which were increased in the final budget to \$445,843. Actual revenues of \$274,611 were \$171,232 less than the final budgeted revenues. The original budgeted expenditures were \$449,226, which were increased in the final budget to \$606,673. Actual expenditures of \$405,207 were \$201,466 less than the final budgeted expenditures.

**Capital Assets and Debt Administration**

***Capital Assets***

At December 31, 2016, the Department had \$28,528 (net of accumulated depreciation) invested in machinery and equipment and vehicles. The following table shows December 31, 2016 and December 31, 2015 capital asset balances. See Note 6 to the basic financial statements for additional capital assets disclosures.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets at December 31  
(Net of Accumulated Depreciation)**

|                         | <b>Governmental Activities</b> |                          |
|-------------------------|--------------------------------|--------------------------|
|                         | <u>December 31, 2016</u>       | <u>December 31, 2015</u> |
| <b>Capital assets:</b>  |                                |                          |
| Machinery and equipment | \$ 12,071                      | \$ 20,119                |
| Vehicles                | <u>16,457</u>                  | <u>20,114</u>            |
| Total                   | <u>\$ 28,528</u>               | <u>\$ 40,233</u>         |

There were no additions or disposals to capital assets for 2016; however, depreciation recorded for the year totaled \$11,705.

***Debt Administration***

The Department had the following long-term obligations outstanding at December 31, 2016 and December 31, 2015. See Note 10 to the basic financial statements for additional debt administration disclosures.

|                           | Governmental<br>Activities<br><u>December 31, 2016</u> | Governmental<br>Activities<br><u>December 31, 2015</u> |
|---------------------------|--|--|
| Capital lease obligations | \$ 17,381  | \$ 25,442  |
| Compensated absences      | 444,761  | 391,683  |
| Net Pension Liability     | <u>2,401,053</u>                                       | <u>1,554,437</u>                                       |
| Total                     | <u>\$ 2,863,195</u>                                    | <u>\$ 1,971,562</u>                                    |

**Economic Conditions and Current Issues**

The Department consists of the Job and Family Services operations of both Defiance County and Paulding County. The Department commenced operations on October 1, 2013, with Defiance County acting as its fiscal agent.

The Department receives the majority of its funding through state and federal grant allocations, which are stable sources of revenue that promise to provide sufficient support to the Department's programs and services.

**Contacting the Department's Financial Management**

This financial report is designed to provide citizens, taxpayers, and investors and creditors with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cynthia Thatcher, Business Administrator, Defiance-Paulding Consolidated Department of Job and Family Services, 6879 Evansport Road, Defiance, Ohio 43512-6766.



**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2016

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>                                       |                                    |
| Cash with fiscal agent . . . . .                     | \$ 494,649                         |
| Receivables:   |                                    |
| Accounts. . . . .                                    | 1,583                              |
| Due from other governments. . . . .                  | 609,144                            |
| Materials and supplies inventory. . . . .            | 10,383                             |
| Prepayments . . . . .                                | 5,260                              |
| Capital assets:                                      |                                    |
| Depreciable capital assets, net. . . . .             | 28,528                             |
| Total capital assets, net. . . . .                   | 28,528                             |
| Total assets . . . . .                               | 1,149,547                          |
| <b>Deferred outflows of resources:</b>               |                                    |
| Pension - OPERS. . . . .                             | 1,012,645                          |
| Total deferred outflows of resources . . . . .       | 1,012,645                          |
| Total assets and deferred outflows of resources .    | 2,162,192                          |
| <b>Liabilities:</b>                                  |                                    |
| Accounts payable. . . . .                            | 209,478                            |
| Accrued wages and benefits payable . . . . .         | 36,463                             |
| Due to other governments . . . . .                   | 34,035                             |
| Long-term liabilities:                               |                                    |
| Due within one year . . . . .                        | 323,998                            |
| Due in more than one year. . . . .                   | 138,144                            |
| Net Pension Liability. . . . .                       | 2,401,053                          |
| Total liabilities . . . . .                          | 3,143,171                          |
| <b>Deferred inflows of resources:</b>                |                                    |
| Intergovernmental revenue not available. . . . .     | 57,465                             |
| Pension - OPERS. . . . .                             | 46,393                             |
| Total deferred inflows of resources . . . . .        | 103,858                            |
| Total liabilities and deferred inflows of resources. | 3,247,029                          |
| <b>Net position:</b>                                 |                                    |
| Net investment in capital assets. . . . .            | 11,147                             |
| Restricted for:                                      |                                    |
| Job and family services . . . . .                    | 39,523                             |
| Unrestricted (deficit) . . . . .                     | (1,135,507)                        |
| Total net position (deficit). . . . .                | \$ (1,084,837)                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

|  |                     | <b>Program Revenues</b>               |   | <b>Net (Expense) Revenue and Changes in Net Position</b> |
|--|---------------------|---------------------------------------|---|--|
|  | <b>Expenses</b>     | <b>Charges for Services and Sales</b> | <b>Operating Grants and Contributions</b> | <b>Governmental Activities</b>                           |
| <b>Governmental Activities:</b>                              |                     |                                       |   |  |
| Public assistance . . . . .                                  | \$ 3,113,246        | \$ 40,740                             | \$ 2,697,189                              | \$ (375,317)   |
| Public children services . . . . .                           | 1,909,605           | -                                     | 1,307,687                                 | (601,918)  |
| Workforce innovation and opportunity act . . . . .           | 399,974             | -                                     | 305,818                                   | (94,156)   |
| Interest and fiscal charges. . . . .                         | 1,089               | -                                     | -   | (1,089)  |
| <b>Totals . . . . .</b>                                      | <b>\$ 5,423,914</b> | <b>\$ 40,740</b>                      | <b>\$ 4,310,694</b>                       | <b>(1,072,480)</b>                                       |
| <b>General Revenues:</b>                                     |                     |                                       |   |  |
| Reimbursements and other . . . . .                           |                     |                                       |   | 1,025,380  |
| Total general revenues . . . . .                             |                     |                                       |   | 1,025,380  |
| Change in net position . . . . .                             |                     |                                       |   | (47,100)   |
| <b>Net position (deficit) at beginning of year . . . . .</b> |                     |                                       |   | <b>(1,037,737)</b>                                       |
| <b>Net position (deficit) at end of year. . . . .</b>        |                     |                                       |   | <b>\$ (1,084,837)</b>                                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31 2016**

|   | <b>Public<br/>Assistance</b> | <b>Public<br/>Children<br/>Services</b> | <b>Workforce<br/>Innovation and<br/>Opportunity Act</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|------------------------------|---|---|---|
| <b>Assets:</b>  |                              |   |   |   |
| Cash with fiscal agent . . . . .  | \$ 131,886                   | \$ 323,779                              | \$ 38,984   | \$ 494,649                              |
| Receivables:  |                              |   |   |   |
| Accounts . . . . .  | 1,072                        | 511                                     | -   | 1,583                                   |
| Due from other governments . . . . .  | 352,215                      | 108,246                                 | 148,683   | 609,144                                 |
| Due from other funds . . . . .  | 486,478                      | -                                       | -   | 486,478                                 |
| Materials and supplies inventory . . . . .  | 3,461                        | 3,461                                   | 3,461   | 10,383                                  |
| Prepayments . . . . .   | 5,260                        | -                                       | -   | 5,260                                   |
| <b>Total assets . . . . .</b>   | <b>\$ 980,372</b>            | <b>\$ 435,997</b>                       | <b>\$ 191,128</b>                                       | <b>\$ 1,607,497</b>                     |
| <b>Liabilities:</b>   |                              |   |   |   |
| Accounts payable . . . . .  | \$ 69,172                    | \$ 120,573                              | \$ 19,733   | \$ 209,478                              |
| Accrued wages and benefits payable . . . . .  | 36,463                       | -                                       | -   | 36,463                                  |
| Compensated absences payable . . . . .  | 25,757                       | -                                       | -   | 25,757                                  |
| Due to other governments . . . . .  | 32,095                       | 1,940                                   | -   | 34,035                                  |
| Due to other funds . . . . .  | -                            | 412,071                                 | 74,407  | 486,478                                 |
| <b>Total liabilities . . . . .</b>  | <b>163,487</b>               | <b>534,584</b>                          | <b>94,140</b>   | <b>792,211</b>                          |
| <b>Deferred inflows of resources:</b>   |                              |   |   |   |
| Miscellaneous revenue not available . . . . .   | 1,072                        | 140                                     | -   | 1,212                                   |
| Intergovernmental revenue not available . . . . .                                       | 3,365                        | 9,097                                   | 78,081  | 90,543                                  |
| <b>Total deferred inflows of resources . . . . .</b>                                    | <b>4,437</b>                 | <b>9,237</b>                            | <b>78,081</b>   | <b>91,755</b>                           |
| <b>Fund balances:</b>   |                              |   |   |   |
| Nonspendable . . . . .  | 8,721                        | 3,461                                   | 3,461   | 15,643                                  |
| Restricted . . . . .  | 803,727                      | -                                       | 15,446  | 819,173                                 |
| Unassigned (deficit) . . . . .  |                              |   |   |   |
| Special revenue funds . . . . .   |                              | (111,285)                               |   | (111,285)                               |
| <b>Total fund balances . . . . .</b>  | <b>812,448</b>               | <b>(107,824)</b>                        | <b>18,907</b>   | <b>723,531</b>                          |
| <b>Total liabilities, deferred inflows<br/>of resources and fund balances . . . . .</b> | <b>\$ 980,372</b>            | <b>\$ 435,997</b>                       | <b>\$ 191,128</b>                                       | <b>\$ 1,607,497</b>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016

|   |             |                    |
|---|-------------|--------------------|
| <b>Total governmental fund balances</b>   | \$          | 723,531            |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i>   |             |                    |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |             | 28,528             |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.   |             |                    |
| Intergovernmental receivable  | 33,078      |                    |
| Accounts receivable   | 1,212       |                    |
| Total   | 34,290      | 34,290             |
| The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds. |             |                    |
| Deferred outflows of resources  | 1,012,645   |                    |
| Deferred inflows of resources   | (46,393)    |                    |
| Net pension liability   | (2,401,053) |                    |
| Total   | (1,434,801) | (1,434,801)        |
| Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.  |             |                    |
| Capital lease obligations   | \$ (17,381) |                    |
| Compensated absences  | (419,004)   |                    |
| Total   | (436,385)   | (436,385)          |
| <b>Net position (deficit) of governmental activities</b>  | <b>\$</b>   | <b>(1,084,837)</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

|   | <u>Public<br/>Assistance</u> | <u>Public<br/>Children<br/>Services</u> | <u>Workforce<br/>Innovation and<br/>Opportunity Act</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|------------------------------|---|---|---|
| <b>Revenues:</b>  |                              |   |   |   |
| From local sources:   |                              |   |   |   |
| Charges for services . . . . .                                | \$ 40,740                    | \$ -                                    | \$ -  | \$ 40,740                               |
| Intergovernmental . . . . .                                   | 2,693,824                    | 1,359,607                               | 319,141   | 4,372,572                               |
| Contributions and donations . . . . .                         | -                            | 350                                     | -   | 350                                     |
| Reimbursements and other . . . . .                            | 145,886                      | 875,697                                 | 3,250   | 1,024,833                               |
| <b>Total revenues . . . . .</b>                               | <u>2,880,450</u>             | <u>2,235,654</u>                        | <u>322,391</u>  | <u>5,438,495</u>                        |
| <b>Expenditures:</b>  |                              |   |   |   |
| Current:  |                              |   |   |   |
| Public assistance . . . . .                                   | 2,923,347                    | -                                       | -   | 2,923,347                               |
| Public children services . . . . .                            | -                            | 1,905,703                               | -   | 1,905,703                               |
| Workforce innovation and opportunity act . . . . .            | -                            | -                                       | 396,073   | 396,073                                 |
| Debt service:   |                              |   |   |   |
| Principal retirement . . . . .                                | 8,061                        | -                                       | -   | 8,061                                   |
| Interest and fiscal charges . . . . .                         | 1,089                        | -                                       | -   | 1,089                                   |
| <b>Total expenditures . . . . .</b>                           | <u>2,932,497</u>             | <u>1,905,703</u>                        | <u>396,073</u>  | <u>5,234,273</u>                        |
| Net change in fund balances . . . . .                         | (52,047)                     | 329,951                                 | (73,682)  | 204,222                                 |
| <b>Fund balances (deficit) at beginning of year . . . . .</b> | 864,495                      | (437,775)                               | 92,589  | 519,309                                 |
| <b>Fund balances at end of year . . . . .</b>                 | <u>\$ 812,448</u>            | <u>\$ (107,824)</u>                     | <u>\$ 18,907</u>  | <u>\$ 723,531</u>                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

|   |           |                 |
|---|-----------|-----------------|
| <b>Net change in fund balances - total governmental funds</b>   | \$        | 204,222         |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |           |                 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period. |           |                 |
| Current year depreciation   |           | (11,705)        |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |           |                 |
| Intergovernmental revenue   | (62,228)  |                 |
| Reimbursement and other revenue   | 547       |                 |
| Total   |           | (61,681)        |
| Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.   |           |                 |
|   |           | 8,061           |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.   |           |                 |
|   |           | 219,116         |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.  |           |                 |
|   |           | (377,792)       |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |           |                 |
|   |           | (27,321)        |
| <b>Change in net position of governmental activities</b>  | <b>\$</b> | <b>(47,100)</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Defiance-Paulding Consolidated Department of Job and Family Services (the “Department”), was established as a Joint County Department of Job and Family Services by and for the Board of County Commissioners of Defiance County and Paulding County. The Department consists of six members, with equal representation from both Counties. The Board exercises total control over the operation of the Department including budgeting, contracting, and designating management. Defiance County acts as fiscal agent for the Department, which commenced operations on October 1, 2013.

The purpose of the Department is to exercise all powers granted to the Joint County Department of Job and Family Services pursuant to Chapter 329 of the Ohio Revised Code, with the intention of coordinating the Counties’ powers and duties as provided by the Ohio Revised Code for county administration and operation to better serve, and for the benefit of, those persons who are seeking services from a County Department of Job and Family Services. Such services include, but are not limited to, income maintenance programs (food stamps, Medicaid, cash assistance, etc.), child welfare, and workforce development for residents within the member Counties.

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

The basic financial statements of the Department have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The Department significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Department consists of all funds, departments, boards, and agencies that are not legally separate from the Department. For the Department, this simply includes its general operations.

Component units are legally separate organizations for which the Department is financially accountable. The Department is financially accountable for an organization if the Department appoints a voting majority of the organization’s Governing Board and (1) the Department is able to significantly influence the programs or services performed or provided by the organization; or (2) the Department is legally entitled to or can otherwise access the organization’s resources; or (3) the Department is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Department is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Department in that the Department approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the Department has no component units. The basic financial statements of the reporting entity include only those of the Department (the primary government).

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Basis of Presentation**

The Department's basic financial statements consist of government-wide 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 and the statement of activities display information about the Department as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the Department at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Department's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Department, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the Department.

*Fund Financial Statements* - During the year, the Department segregates transactions related to certain Department 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 Department at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**C. Fund Accounting**

The Department 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. There are three categories of funds: governmental, proprietary, and fiduciary. The Department has only governmental funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the Department's major governmental funds:



**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Public Assistance Fund - This fund accounts for various Federal and State grants that are used to provide public assistance to general relief recipients, and to pay their providers of medical assistance and certain public social services.

Public Children Services Fund - This fund accounts for various Federal and State monies intended for the provision of foster care and other services for neglected, battered, and abused children.

Workforce Innovation and Opportunity Act Fund - This fund accounts for grant monies received from the U.S. Department of Labor to strengthen the local workforce by providing training services to employed adults, youth, and dislocated workers.

The Department did not report any nonmajor governmental funds during the year.

**D. Measurement Focus**

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Department are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and deferred outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Department, available means expected to be received within thirty days of year end.

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Nonexchange transactions, in which the Department receives value without directly giving equal value in return, include grants, entitlements, and donations. On the accrual basis, revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Department must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Department on a reimbursement basis.

On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, revenue sources considered to be both measurable and available at year end include grants.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Department, see Note 8 for deferred outflows of resources related to the Department's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Department, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Department unavailable revenue includes, but is not limited to intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the Department, see Note 8 for deferred inflows related to the Department's net pension liability. These deferred inflows of resources are only reported on the government-wide statement of net position.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**F. Cash with Fiscal Agent**

The Defiance County Treasurer is the custodian of the Department's cash. The Department's assets are held in the Defiance County's cash and investment pool and are valued at the Defiance County Treasurer's reported carrying amount (See Note 4).

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Materials and Supplies Inventory**

Materials and supplies inventory is presented at cost on a first-in, first-out basis, and is expended/expensed when used. Materials and supplies inventory consists of expendable supplies held for consumption.

Materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds. This indicates that materials and supplies inventory does not constitute available expendable resources even though it is a component of net current assets.

**H. Prepayments**

Payments made to vendors for services that will benefit periods beyond December 31 are recorded as prepayments using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. Prepayments are equally offset by nonspendable fund balance in the governmental funds. This indicates that prepayments do not constitute available expendable resources even though they are a component of net current assets.

**I. Capital Assets**

The Department's capital assets are reported in the governmental activities column on the government-wide statement of net position, but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value on the date donated. The Department maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are not capitalized.

The Department's capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description             | Useful Lives |
|-------------------------|--------------|
| Machinery and Equipment | 5-20 Years   |
| Vehicles                | 8-15 Years   |

**J. Interfund Balances**

On the fund financial statements, unpaid amounts for interfund services are reported as "due from/to other funds". Interfund balances are eliminated on the government-wide statement of net position.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Compensated Absences**

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive sick leave benefits and those the Department has identified as probable of receiving sick leave payments in the future. The amount is based on accumulated sick leave and employee wage rates at year end, taking into consideration any limits specified in the Department's union contracts or departmental personnel policies. The Department records a liability for accumulated unused sick leave for any employee with ten years of service with the Department.

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts, when applicable, are recorded in the account "compensated absences payable" in the funds from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability on the fund financial statements only to the extent that they are due for payment during the current year. Capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Department 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Fund Balance (Continued)**

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action of the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless that authority removes or changes the specified use by taking the same type of action 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 Department for specific purposes, but do not meet the criteria to be classified as restricted nor committed.

*Unassigned* - Unassigned fund balance for Department funds is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Department applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**N. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The Department applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**O. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Department's Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

**Q. Pensions**

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

**NOTE 3 - ACCOUNTABILITY – CHANGE IN ACCOUNTING PRINCIPLES**

For 2016, the Department has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Department.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Department.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Department.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 3 - ACCOUNTABILITY – CHANGE IN ACCOUNTING PRINCIPLES - (Continued)**

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Department.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominantly state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Department.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB 79 did not have an effect on the financial statements of the Department.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The Defiance County Treasurer maintains a cash pool used by all of Defiance County’s funds, including those of the Department. The Ohio Revised Code prescribes allowable deposits and investments. At year end, the carrying amount of the Department’s deposits with the Defiance County Treasurer was \$494,649, which is reflected as cash with fiscal agent on the basic financial statements (the Department had no investments to report during the year). The Defiance County Treasurer is responsible for maintaining adequate depository collateral for all funds in Defiance County’s pooled deposits and investments.

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2016 consisted of accounts and intergovernmental grants and entitlements (classified as due from other governments on the basic financial statements). All receivables are considered fully collectible within one year.

A list of the principal items classified as due from other governments follows:

| Governmental Activities                  | Amounts           |
|--|-------------------|
| Public Assistance                        | \$ 352,215        |
| Public Children Services                 | 108,246           |
| Workforce Innovation and Opportunity Act | 148,683           |
| Total                                    | <u>\$ 609,144</u> |

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

**NOTE 6 - CAPITAL ASSETS**

A summary of changes in capital assets during the year follows:

| <u>Governmental Activities:</u>              | <u>January 1, 2016</u> | <u>Additions</u>   | <u>Disposals</u> | <u>December 31, 2016</u> |
|--|------------------------|--------------------|------------------|--------------------------|
| <i>Capital assets, being depreciated:</i>    |                        |                    |                  |                          |
| Machinery and equipment                      | \$ 40,239              | \$ -               | \$ -             | \$ 40,239                |
| Vehicles                                     | <u>25,599</u>          | <u>-</u>           | <u>-</u>         | <u>25,599</u>            |
| Total capital assets, being depreciated      | <u>65,838</u>          | <u>-</u>           | <u>-</u>         | <u>65,838</u>            |
| <i>Less: accumulated depreciation:</i>       |                        |                    |                  |                          |
| Machinery and equipment                      | (20,120)               | (8,048)            | -                | (28,168)                 |
| Vehicles                                     | <u>(5,485)</u>         | <u>(3,657)</u>     | <u>-</u>         | <u>(9,142)</u>           |
| Total accumulated depreciation               | <u>(25,605)</u>        | <u>(11,705)</u>    | <u>-</u>         | <u>(37,310)</u>          |
| Total capital assets, being depreciated, net | <u>40,233</u>          | <u>(11,705)</u>    | <u>-</u>         | <u>28,528</u>            |
| Governmental activities capital assets, net  | <u>\$ 40,233</u>       | <u>\$ (11,705)</u> | <u>\$ -</u>      | <u>\$ 28,528</u>         |

Depreciation expense was charged to governmental activities as follows:

| <u>Governmental Activities</u>           | <u>Amounts</u>   |
|--|------------------|
| Public assistance                        | \$ 3,902         |
| Public children services                 | 3,902            |
| Workforce innovation and opportunity act | <u>3,901</u>     |
| Total depreciation expense               | <u>\$ 11,705</u> |

**NOTE 7 - RISK MANAGEMENT**

**A. General Liability**

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department attained insurance coverage for these risks through a contract with the County Risk Sharing Authority (CORSA). The December 31, 2016 insurance coverage limits are as follows:

|                               |              |
|-------------------------------|--------------|
| Property                      | \$ 7,380,572 |
| Equipment Breakdown           | 100,000,000  |
| General Liability             | 1,000,000    |
| Commercial Crime              | 1,000,000    |
| Excess Liability              | 9,000,000    |
| Automobile Liability          | 1,000,000    |
| Law Enforcement Liability     | 1,000,000    |
| Errors and Omission Liability | 1,000,000    |



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 7 - RISK MANAGEMENT – (Continued)**

Settled claims related to the Department have not exceeded the commercial insurance coverage in any of the last three years.

**B. Health Benefits**

The Department, through Defiance County, is involved in a limited risk management program for employee health care benefits. A third party administrator processes the claims, which Defiance County pays. An internal service fund of Defiance County allocates the cost of claims payments by charging a monthly premium to each individual enrolled in the health insurance program. These premiums, along with the premium Defiance County pays for each employee enrolled in the program, are paid into this internal service fund, and claims are then paid out as necessary.

Under the health insurance program, Defiance County's internal service fund provides coverage for up to a maximum lifetime benefit of \$2,500,000 per individual. An excess coverage policy covers annual individual claims in excess of \$75,000. Settled claims have not exceeded this commercial coverage in any of the last three years, and there has not been any significant reduction in coverage from the prior year.

Defiance County reports claims payable, which is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues". This Statement requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable for Defiance County at December 31, 2016 is estimated by a third party administrator at \$456,402, which includes all outstanding claims made by the Department's employees.

As of December 31, 2016, the Department separately offered and paid for vision insurance for its employees through Vision Service Plan (VSP).

**C. Workers' Compensation**

Through Defiance County, the Department is subject to participation in the County Commissioners Association Service Corporation (Plan), a workers' compensation insurance purchasing pool. 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 participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's Executive Committee 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, Defiance County pays an enrollment fee to the Plan to cover the costs of administering the program.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 7 - RISK MANAGEMENT - (Continued)**

Participants 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, participants are not relieved of their obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Department's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset 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.

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

GASB 68 assumes any net pension 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 contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Plan Description – Ohio Public Employees Retirement System (OPERS)*

Plan Description - Department employees, other than full-time police and firefighters, 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 cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Department employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan; therefore, the following disclosure focuses on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension 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 tables provides age and service eligibility requirements for unreduced and reduced retirement benefits and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

*Unreduced Retirement Benefits:*

| <b>Group A</b>  | <b>Group B</b>  | <b>Group C</b>  |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013   | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013   | 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><br>Age 65 with 60 months of service credit<br>or Any age with 30 years of service credit   | <b>Age and Service Requirements:</b><br>Age 66 with 60 months of service credit<br>Any age with 32 years of service credit<br>or Age 52 with 31 years of service credit | <b>Age and Service Requirements:</b><br>Age 55 with 32 years of service credit<br>or Age 67 with 5 years of service credit      |
| <b>Formula:</b><br>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><br>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><br>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Reduced Retirement Benefits:***

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

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 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:

|  |                            |
|--|----------------------------|
|  | <u>State<br/>and Local</u> |
| <b>2016 Statutory Maximum Contribution Rates</b> |                            |
| Employer   | 14.0 %                     |
| Employee   | 10.0 %                     |
| <b>2016 Actual Contribution Rates</b>            |                            |
| Employer:  |                            |
| Pension  | 12.0 %                     |
| Post-employment Health Care Benefits             | <u>2.0 %</u>               |
| Total Employer                                   | <u>14.0 %</u>              |
| Employee   | <u>10.0 %</u>              |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The Department's contractually required contribution for the Traditional Pension Plan was \$219,116 for 2016. Of this amount, \$24,703 is reported as due to other governments.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. . The Department's proportion of the net pension liability was based on the Department's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

|  | OPERS                |
|--|----------------------|
| Proportion of the net pension liability prior measurement date   | 0.01288800%          |
| Proportion of the net pension liability current measurement date | <u>0.01386200%</u>   |
| Change in proportionate share                                    | █ <u>0.00097400%</u> |
| <br>   |                      |
| Proportionate share of the net pension liability                 | \$ 2,401,053         |
| Pension expense  | 377,792              |

At December 31, 2016, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | OPERS                 |
|--|-----------------------|
| <b>Deferred outflows of resources</b>  |                       |
| Net difference between projected and actual earnings on pension plan investments         | \$ 705,759            |
| Change in employer's proportionate percentage/ difference between employer contributions | 87,770                |
| Department contributions subsequent to the measurement date                              | <u>219,116</u>        |
| Total deferred outflows of resources   | █ <u>\$ 1,012,645</u> |
| <br><b>Deferred inflows of resources</b>   |                       |
| Difference between expected and actual experience  | <u>\$ 46,393</u>      |
| Total deferred inflows of resources  | █ <u>\$ 46,393</u>    |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$219,116 reported as deferred outflows of resources related to pension resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS      |
|--------------------------|------------|
| 2017                     | \$ 195,151 |
| 2018                     | 205,900    |
| 2019                     | 186,373    |
| 2020                     | 159,712    |
| Total                    | \$ 747,136 |

***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 in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|   |  |
|---|--|
| Wage inflation  | 3.75 percent   |
| Future salary increases, including inflation<br>COLA or ad hoc COLA | 4.25 to 10.05 percent including wage inflation<br>Pre 1/7/2013 retirees: 3 percent, simple<br>Post 1/7/2013 retirees: 3 percent, simple<br>through 2018, then 2.80% simple |
| Investment rate of return   | 8 percent  |
| Actuarial cost method   | Individual entry age   |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

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

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS 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 2015 and the long-term expected real rates of return:

| Asset Class            | Target Allocation | Real Rate of Return (Arithmetic) |
|------------------------|-------------------|----------------------------------|
| Fixed income           | 23.00%            | 2.31%                            |
| Domestic equities      | 20.70             | 5.84                             |
| Real estate            | 10.00             | 4.25                             |
| Private equity         | 10.00             | 9.25                             |
| International equities | 18.30             | 7.40                             |
| Other investments      | 18.00             | 4.59                             |
| Total                  | <u>100.00%</u>    | <u>5.27%</u>                     |

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 8 percent for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers 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 benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

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

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Sensitivity of the Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following table presents the Department's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the Department's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

|   | 1% Decrease<br>(7.00%) | Current<br>Discount Rate<br>(8.00%) | 1% Increase<br>(9.00%) |
|---|------------------------|-------------------------------------|------------------------|
| Department's proportionate share<br>of the net pension liability (asset): |                        |                                     |                        |
| Traditional Pension Plan  | \$ 3,825,465           | \$ 2,401,053                        | \$ 1,199,608           |

***Changes Between Measurement Date and Report Date***

In October 2016, the OPERS Board adopted certain assumption changes which will impact the annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Department's net pension liability is expected to be significant.

**NOTE 9 - POSTRETIREMENT BENEFIT PLANS**

**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 two cost-sharing multiple-employer defined benefit postemployment health care trusts which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursements to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits including OPERS sponsored health care coverage.

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 postemployment benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45. See OPERS' CAFR referenced below for additional information.



**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

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

**NOTE 9 - POSTRETIREMENT BENEFIT PLANS – (Continued)**

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 healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The Ohio Revised Code provides authority requiring that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the total earnable salary of active employees. In 2016, local government employers contributed 14% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing multiple- employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the traditional pension and combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. As recommended by the OPERS actuary, the portion of the employer contribution allocated to health care beginning January 1, 2016, remained at 2% for both the traditional and combined plans. The 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a retiree medical account for member- directed plan members. The employer contribution as a percentage of covered payroll deposited into the retiree medical accounts for 2016 was 4%.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Health Care Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statement of Changes in Fiduciary Net Position for the year ended December 31, 2016, reflects a partial year of activity in the 401(h) Health Care Trust and the VEBA Trust prior to the termination of these trusts as of the end of the business day June 30, 2016, and the assets and liabilities or net position of these trusts being consolidated into the 115 Health Care Trust on July 1, 2016.

Substantially all of the Department's contribution allocated to fund postemployment health care benefits relates to the cost-sharing multiple-employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$36,519, \$36,881, and \$38,733, respectively. For 2016, 90.34% has been contributed. The full amount has been contributed for 2015 and 2014.

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

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

**NOTE 10 - LONG-TERM OBLIGATIONS**

The Department's long-term obligations activity as of December 31, 2016 was as follows:

|  | Balance                |                     |                     | Balance                  | Amounts                          |
|--|------------------------|---------------------|---------------------|--------------------------|----------------------------------|
|  | <u>January 1, 2016</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>December 31, 2016</u> | <u>Due in</u><br><u>One Year</u> |
| <b><u>Governmental Activities</u></b>                  |                        |                     |                     |                          |                                  |
| Capital lease obligations                              | \$ 25,442              | \$ -                | \$ (8,061)          | \$ 17,381                | \$ 8,474                         |
| Compensated absences                                   | 391,683                | 323,386             | (270,308)           | 444,761                  | 315,524                          |
| Net pension liability                                  | <u>1,554,437</u>       | <u>846,616</u>      | <u>-</u>            | <u>2,401,053</u>         | <u>-</u>                         |
| Total governmental activities<br>long-term obligations | <u>\$ 1,971,562</u>    | <u>\$ 1,170,002</u> | <u>\$ (278,369)</u> | <u>\$ 2,863,195</u>      | <u>\$ 323,998</u>                |

*Capital Lease Obligations:* The capital lease obligations are repaid from the Public Assistance Fund. See Note 11 for details.

*Compensated Absences:* The compensated absences are paid primarily from the Public Assistance Fund.

*Net Pension Liability:* The Department's net pension liability is discussed in Note 8.

**NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During the prior year, the Department entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reclassified and reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary schedules.

Capital assets consisting of copier equipment have been capitalized in the amount of \$40,239. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2016 for this equipment was \$28,168, leaving a current book value of \$12,071.

A corresponding liability is recorded on the government-wide financial statements. Principal and interest payments made during 2016 from the Public Assistance Fund totaled \$8,061 and \$1,089, respectively.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of December 31, 2016:

| <u>Year Ending December 31,</u>    | <u>Amount</u>    |
|------------------------------------|------------------|
| 2017                               | \$ 9,151         |
| 2018                               | <u>9,150</u>     |
| Total minimum lease payments       | 18,301           |
| Less: amount representing interest | <u>(920)</u>     |
| Total                              | <u>\$ 17,381</u> |

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

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

**NOTE 12 - OPERATING LEASES**

During 2016, the Department entered into operating lease agreements for office space at the following three locations: Evergreen Lane Office Complex, 252 Dooley Drive, and Defiance County Workforce Development Office.

During the period of January 1, 2016 through December 31, 2016, the Department leased office space at Evergreen Lane Office Complex for \$4,287 per month.

During the period of January 1, 2016 through December 31, 2016, the Department leased office space at 252 Dooley Drive for \$2,413 per month.

During the period of January 1, 2016 through December 31, 2016, the Department leased office space at Defiance County Workforce Development Office at a rate of \$4,391 per month.

**NOTE 13 - INTERFUND TRANSACTIONS**

Due from/to other funds consisted of the following at December 31, 2016, as reported on the fund financial statements:

| <u>Receivable Fund</u> | <u>Payable Fund</u>                           | <u>Amount</u>     |
|------------------------|---|-------------------|
| Public Assistance Fund | Public Children Services Fund                 | \$ 412,071        |
| Public Assistance Fund | Workforce Innovation and Opportunity Act Fund | <u>74,407</u>     |
| Total                  |   | <u>\$ 486,478</u> |

Amounts due from/to other funds represent amounts owed between funds for goods or services provided. The balances resulted from the time lag between the dates that payments between the funds are made. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 14 - CONTINGENT LIABILITIES**

**A. Grants**

During 2016, the Department received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Department believes such disallowances, if any, would be immaterial.

**B. Litigation**

The Department is not currently party to any legal proceedings.

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

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

**NOTE 15 – FUND BALANCE**

|  | Public<br>Assistance Fund | Public Children<br>Services Fund | Workforce<br>Innovation and<br>Opportunity Act | Total<br>Governmental<br>Funds |
|--|---------------------------|----------------------------------|--|--------------------------------|
| Nonspendable:                            |                           |                                  |  |                                |
| Materials and Supplies                   | \$ 3,461                  | \$ 3,461                         | \$ 3,461                                       | 10,383                         |
| Prepayments                              | 5,260                     | -                                | -  | 5,260                          |
| <b>Total Nonspendable</b>                | <b>8,721</b>              | <b>3,461</b>                     | <b>3,461</b>                                   | <b>15,643</b>                  |
| Restricted:                              |                           |                                  |  |                                |
| Public Assistance                        | 803,727                   | -                                | -  | 803,727                        |
| Workforce Innovation and Opportunity Act | -                         | -                                | 15,446   | 15,446                         |
| <b>Total Restricted</b>                  | <b>803,727</b>            | <b>-</b>                         | <b>15,446</b>                                  | <b>819,173</b>                 |
| Unassigned (deficit)                     |                           |                                  |  |                                |
| Children Services                        | -                         | (111,285)                        | -  | (111,285)                      |
| <b>Total Fund Balance</b>                | <b>\$ 812,448</b>         | <b>\$ (107,824)</b>              | <b>\$ 18,907</b>                               | <b>\$ 723,531</b>              |

**DEFIANCE/PAULDING CONSOLIDATED DEPARTEMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
PUBLIC ASSISTANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|------------------|-------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                   |   |
| <b>Revenues:</b>                                   |                         |                  |                   |   |
| Charges for services . . . . .                     | \$ 84,500               | \$ 84,500        | \$ 40,740         | \$ (43,760)   |
| Intergovernmental . . . . .                        | 3,609,000               | 3,609,000        | 2,408,290         | (1,200,710)   |
| Reimbursements and other . . . . .                 | 793,500                 | 1,217,178        | 1,253,265         | 36,087  |
| <b>Total revenues . . . . .</b>                    | <u>4,487,000</u>        | <u>4,910,678</u> | <u>3,702,295</u>  | <u>(1,208,383)</u>  |
| <b>Expenditures:</b>                               |                         |                  |                   |   |
| Current:   |                         |                  |                   |   |
| Public assistance . . . . .                        | 4,470,326               | 5,031,805        | 3,715,357         | 1,316,448   |
| <b>Total expenditures . . . . .</b>                | <u>4,470,326</u>        | <u>5,031,805</u> | <u>3,715,357</u>  | <u>1,316,448</u>  |
| Net change in fund balance . . . . .               | 16,674                  | (121,127)        | (13,062)          | 108,065   |
| <b>Fund balance at beginning of year . . . . .</b> | 121,127                 | 121,127          | 121,127           | -   |
| <b>Fund balance at end of year . . . . .</b>       | <u>\$ 137,801</u>       | <u>\$ -</u>      | <u>\$ 108,065</u> | <u>\$ 108,065</u>   |

SEE ACCOMPANYING BUDGETARY NOTES

**DEFIANCE/PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
PUBLIC CHILDREN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

|   | Budgeted Amounts  |                  | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|------------------|-------------------|---|
|   | Original          | Final            |                   |   |
| <b>Revenues:</b>                                      |                   |                  |                   |   |
| Intergovernmental . . . . .                           | \$ 1,015,000      | \$ 1,336,499     | \$ 1,338,999      | \$ 2,500  |
| Contributions and donations . . . . .                 | 1,000             | 1,000            | 350               | (650)   |
| Reimbursements and other . . . . .                    | 875,000           | 875,000          | 876,658           | 1,658   |
| Total revenues . . . . .                              | <u>1,891,000</u>  | <u>2,212,499</u> | <u>2,216,007</u>  | <u>3,508</u>  |
| <b>Expenditures:</b>                                  |                   |                  |                   |   |
| Current:  |                   |                  |                   |   |
| Public children services . . . . .                    | 1,851,043         | 2,554,678        | 2,246,407         | 308,271   |
| Total expenditures . . . . .                          | <u>1,851,043</u>  | <u>2,554,678</u> | <u>2,246,407</u>  | <u>308,271</u>  |
| Net change in fund balance . . . . .                  | 39,957            | (342,179)        | (30,400)          | 311,779   |
| <b>Fund balance at beginning of year . . . . .</b>    | 167,136           | 167,136          | 167,136           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b> | 175,043           | 175,043          | 175,043           | -   |
| <b>Fund balance at end of year . . . . .</b>          | <u>\$ 382,136</u> | <u>\$ -</u>      | <u>\$ 311,779</u> | <u>\$ 311,779</u>                                       |

SEE ACCOMPANYING BUDGETARY NOTES

**DEFIANCE/PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
WORKFORCE INNOVATION AND OPPORTUNITY ACT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

|   | <u>Budgeted Amounts</u> |                | <u>Actual</u>    | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|----------------|------------------|---|
|   | <u>Original</u>         | <u>Final</u>   |                  |   |
| <b>Revenues:</b>                                      |                         |                |                  |   |
| Intergovernmental . . . . .                           | \$ 422,000              | \$ 432,743     | \$ 271,361       | \$ (161,382)  |
| Other . . . . .                                       | 13,100                  | 13,100         | 3,250            | (9,850)   |
| Total revenues . . . . .                              | <u>435,100</u>          | <u>445,843</u> | <u>274,611</u>   | <u>(171,232)</u>  |
| <b>Expenditures:</b>                                  |                         |                |                  |   |
| Current:  |                         |                |                  |   |
| Workforce investment act . . . . .                    | 449,226                 | 606,673        | 405,207          | 201,466   |
| Total expenditures . . . . .                          | <u>449,226</u>          | <u>606,673</u> | <u>405,207</u>   | <u>201,466</u>  |
| Net change in fund balance . . . . .                  | (14,126)                | (160,830)      | (130,596)        | 30,234  |
| <b>Fund balance at beginning of year . . . . .</b>    | 146,604                 | 146,604        | 146,604          | -   |
| <b>Prior year encumbrances appropriated . . . . .</b> | 14,226                  | 14,226         | 14,226           | -   |
| <b>Fund balance at end of year . . . . .</b>          | <u>\$ 146,704</u>       | <u>\$ -</u>    | <u>\$ 30,234</u> | <u>\$ 30,234</u>  |

SEE ACCOMPANYING BUDGETARY NOTES

**DEFIANCE-PAULDING CONSOLIDATED  
DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY, OHIO**

NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 1 - BUDGETARY SCHEDULES**

Defiance County (the fiscal agent) requires the Department to budget all funds. The major documents prepared include the certificates of estimated resources and the permanent appropriations resolutions. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The Department revenue allocations establish a limit on the amounts the Department may budget. The budget is the Department's authorization to spend resources, and sets annual limits on expenditures plus encumbrances at a level of control selected for the Department. The Department budgets at the fund, program, department, and object level for all funds in accordance with the policies as established by Defiance County.

The Department may amend the budget throughout the year, with the restriction that the budget may not violate the legal level of budgetary control. The amounts reported in the original budget on the budgetary schedules reflect the anticipated revenue and expenditure amounts when the Department adopted the original budget. The amounts reported in the final budget on the budgetary schedules reflect the anticipated revenue and expenditure amounts when the Department adopted the final budget.

The budgetary schedules are presented on a budgetary basis of accounting, as opposed to a GAAP basis of accounting. The following table summarizes the adjustments necessary to reconcile the budgetary basis with the GAAP basis for the public assistance fund, public children services fund, and workforce investment act fund:

|   | Public<br><u>Assistance</u> | Public<br>Children<br><u>Services</u> | Workforce<br>Innovation and<br><u>Opportunity Act</u> |
|---|-----------------------------|---------------------------------------|---|
| Budgetary basis                         | \$ (13,062)                 | \$ (30,400)                           | \$ (130,596)  |
| Net adjustment for revenue accruals     | (821,845)                   | 19,647                                | 47,780  |
| Net adjustment for expenditure accruals | 759,039                     | 328,704                               | 384   |
| Adjustment for encumbrances             | <u>23,821</u>               | <u>12,000</u>                         | <u>8,750</u>  |
| GAAP basis                              | <u>\$ (52,047)</u>          | <u>\$ 329,951</u>                     | <u>\$ (73,682)</u>                                    |



**DEFIANCE-PAULDING CONSOLIDATED  
DEPARTMENT OF JOB AND FAMILY SERVICES**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DEPARTMENT'S SHARE OF  
THE NET PENSION LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST THREE YEARS

|   | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|--------------|
| <i>Traditional Plan:</i>  |              |              |              |
| Department's proportion of the net pension liability  | 0.013862%    | 0.012888%    | 0.012888%    |
| Department's proportionate share of the net pension liability   | \$ 2,401,053 | \$ 1,554,437 | \$ 1,519,327 |
| Department's covered-employee payroll   | \$ 1,844,050 | \$ 1,773,817 | \$ 400,162   |
| Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 130.21%      | 87.63%       | 379.68%      |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 81.08%       | 86.45%       | 86.36%       |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the Department's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DEPARTMENT OF JOB AND FAMILY SERVICES**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS**  
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**  
**LAST FOUR YEARS**

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>     |
|--|------------------|------------------|------------------|-----------------|
| <i>Traditional Plan:</i>   |                  |                  |                  |                 |
| Contractually required contribution                                  | \$ 219,116       | \$ 221,286       | \$ 212,858       | \$ 52,021       |
| Contributions in relation to the contractually required contribution | <u>(219,116)</u> | <u>(221,286)</u> | <u>(212,858)</u> | <u>(52,021)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     |
| Department's covered-employee payroll                                | \$ 1,825,967     | \$ 1,844,050     | \$ 1,773,817     | \$ 400,162      |
| Contributions as a percentage of covered-employee payroll            | 12.00%           | 12.00%           | 12.00%           | 13.00%          |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note: The Job and Family Services began operations in October 2013.

**DEFIANCE/PAULDING CONSOLIDATED  
DEPARTMENT OF JOB AND FAMILY SERVICES**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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**DEFIANCE-PAULDING CONSOLIDATED JOB AND FAMILY SERVICES  
DEFIANCE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

| FEDERAL GRANTOR<br><i>Pass Through Grantor</i><br>Program / Cluster Title           | Federal<br>CFDA<br>Number | Pass Through<br>Entity Identifying<br>Number | Passed<br>Through To<br>Subrecipients | Disbursements              |
|---|---------------------------|--|---------------------------------------|----------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>   |                           |  |                                       |                            |
| <i>Passed Through Ohio Department of Job and Family Services</i>                    |                           |  |                                       |                            |
| State Administrative Matching Grants for the Supplemental Assistance Program        | 10.561                    | G-1617-11-5604                               |                                       | \$ 319,436                 |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                                 |                           |  |                                       |                            |
| <i>Passed Through Ohio Department of Job and Family Services</i>                    |                           |  |                                       |                            |
| Promoting Safe and Stable Families  | 93.556                    | G-1617-11-5604                               |                                       | 23,258                     |
| Temporary Assistance for Needy Families   | 93.558                    | G-1617-11-5604                               |                                       | 650,005                    |
| Child Care and Development Block Grant  | 93.575                    | G-1617-11-5604                               | \$ 44,341                             | 44,341                     |
| Social Services Block Grant   | 93.667                    | G-1617-11-5604                               |                                       | 518,358                    |
| Chaffee Foster Care Independence Program  | 93.674                    | G-1617-11-5604                               |                                       | 1,742                      |
| Medical Assistance Program  | 93.778                    | G-1617-11-5604                               |                                       | 519,810                    |
| Foster Care Title IV-E  | 93.658                    | G-1617-11-5604                               |                                       | 562,100                    |
| Foster Care Title IV-E Administration and Training                                  | 93.658                    | G-1617-11-5604                               |                                       | 102,010                    |
| Foster Care Title IV-E Contracts  | 93.658                    | G-1617-11-5604                               |                                       | 7,255                      |
| Total Foster Care   |                           |  |                                       | <u>671,365</u>             |
| Adoption Assistance Administration and Training                                     | 93.659                    | G-1617-11-5604                               |                                       | 160,153                    |
| Adoption Assistance Title IV-E Contracts  | 93.659                    | G-1617-11-5604                               |                                       | 9,913                      |
| Total Adoption Assistance   |                           |  |                                       | <u>170,066</u>             |
| Total U.S. Department of Health and Human Services                                  |                           |  |                                       | <u>2,918,381</u>           |
| <b>U.S. DEPARTMENT OF LABOR</b>   |                           |  |                                       |                            |
| <i>Passed Through Montgomery County Workforce Innovation Opportunity Act Area 7</i> |                           |  |                                       |                            |
| <i>Workforce Innovation Opportunity Act Cluster:</i>                                |                           |  |                                       |                            |
| Workforce Innovation Opportunity Act - Adult  | 17.258                    | 2015/2016-7120-1 / 2015/2016-7163-1          |                                       | 155,107                    |
| Workforce Innovation Opportunity Act - Youth  | 17.259                    | 2015/2016-7120-1 / 2015/2016-7163-1          | 92,577                                | 102,730                    |
| Workforce Innovation Opportunity Act - Dislocated Worker                            | 17.278                    | 2015/2016-7120-1 / 2015/2016-7163-1          |                                       | 69,190                     |
| Total Workforce Innovation Opportunity Act Cluster                                  |                           |  |                                       | <u>327,027</u>             |
| Total U.S. Department of Labor  |                           |  |                                       | <u>327,027</u>             |
| <b>Total</b>  |                           |  |                                       | <u><u>\$ 3,245,408</u></u> |

*The accompanying notes are an integral part of this schedule.*

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County (the Department's) under programs of the federal government for the year ended December 31, 2016. 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 Department, it is not intended to and does not present the financial position or changes in net position of the Department.

**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, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Department has elected not to the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - SUBRECIPIENTS**

The Department passes certain federal awards received from the Ohio Department of Job and Family Services (ODJFS) to other governments or not-for-profit agencies (subrecipients). As Note B describes, the Department reports expenditures of federal awards to subrecipients when paid in cash.

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

**NOTE D – MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

Defiance-Paulding Consolidated Department of Job and Family Services  
Defiance County  
6879 Evansport Road  
Defiance, Ohio 43512-6766

To the Board of 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 financial statements of the governmental activities and each major fund of the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio, (the Department) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated September 20, 2017.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Department'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 Department'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 Department's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Department's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 20, 2017





# Dave Yost • Auditor of State

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

Defiance-Paulding Consolidated Department of Job and Family Services  
Defiance County  
6879 Evansport Road  
Defiance, Ohio 43512-6766

To the Board of Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio's (the Department) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Department's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Department's major federal programs.

### ***Management's Responsibility***

The Department'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 Department's compliance for each of the Department's major federal programs 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 Department'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 each of the Department's major programs. However, our audit does not provide a legal determination of the Department's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio complied, in all material respects *with* the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended December 31, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

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

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

The Department'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 Department'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 Department'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 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 2016-002.

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

Defiance-Paulding Consolidated Department of Job and Family Services  
Defiance County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance Required by *the Uniform Guidance*  
Page 2

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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 20, 2017

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2016**

|  |
|--|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|--|

|                     |  |   |
|---------------------|--|---|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion  | Unmodified  |
| <i>(d)(1)(ii)</i>   | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?      | Yes   |
| <i>(d)(1)(ii)</i>   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No  |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                        | No  |
| <i>(d)(1)(iv)</i>   | Were there any material weaknesses in internal control reported for major federal programs?                    | Yes   |
| <i>(d)(1)(iv)</i>   | Were there any significant deficiencies in internal control reported for major federal programs?               | No  |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion   | Unmodified  |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under 2 CFR § 200.516(a)?  | Yes   |
| <i>(d)(1)(vii)</i>  | Major Programs (list):   | Temporary Assistance for Needy Families – CFDA #93.558<br>Foster Care Title IV-E– CFDA # 93.658 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs  | Type A: > \$ 750,000<br>Type B: all others  |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee under 2 CFR §200.520?   | No  |

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

**FINDING NUMBER 2016-001**

**Material Weakness**

**Financial Reporting**

Accurate financial reporting is the responsibility of the Defiance-Paulding Consolidated Department of Job and Family Services (the Department) management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Department's fiscal activity.

The Department's lack of a policy regarding financial review contributed to the following errors occurring without detection in 2016:

- Final budgeted appropriations were understated by \$137,801 on the Public Assistance budgetary statement.
- Original budgeted appropriations and final budgeted appropriations were understated by \$175,043 and \$878,678, respectively, on the Public Children Services budgetary statement.
- Original budgeted appropriations and final budgeted appropriations were understated by \$14,226 and \$171,673, respectively, on the Workforce Innovation and Opportunity Act budgetary statement.
- Due to Other Funds in the Public Children Services Assistance Fund and Due From Other Funds in the Public Assistance Fund were understated by \$197,071.
- In the Public Children Services Assistance Fund, Restricted Fund Balance was overstated and "Unassigned Fund Balance" was understated by \$128,168.
- Due from other governments and intergovernmental revenues were understated by \$185,585 and \$16,883, in the Public Assistance and Public Children Services funds, respectively.
- Due from other governments and deferred inflows - intergovernmental revenues not available were understated by \$57,465 in the Workforce Innovation and Opportunity Act fund.

Adjusting entries were posted to the Department's financial statements to correct these and other errors ranging from \$14,226 to \$878,678.

To help ensure the Department's financial statements and notes to the financial statements are complete and accurate, the Department should adopt policies and procedures, including a final review of the financial statements, management's discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

**Officials' Response**

The Business Administrator will continue to work with the compiler to ensure all budgetary information is presented to ensure accurate reporting of the budgetary statements. Information presented to the compiler will include more detailed information to ensure proper posting to the GAAP financial statements.

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

**Schedule of Expenditures of Federal Awards**

|   |  |                                   |     |
|---|--|-----------------------------------|-----|
| <b>Finding Number</b>                             | 2016-002                                   |                                   |     |
| <b>CFDA Title and Number</b>                      | Foster Care_Title IV-E CFDA # 93.658       |                                   |     |
| <b>Federal Award Identification Number / Year</b> | 2016                                       |                                   |     |
| <b>Federal Agency</b>                             | U.S. Department of Job and Family Services |                                   |     |
| <b>Pass-Through Entity</b>                        | Ohio Department of Job and Family Services |                                   |     |
| <b>Repeat Finding from Prior Audit?</b>           | No   | <b>Finding Number (if repeat)</b> | N/A |

**Noncompliance and Material Weakness**

**2 CFR §200.510** requires, in part, that an auditee:

**(b)** Prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. At a minimum, the schedule must:

1. List individual Federal programs by Federal agency.
2. For federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include the total amount provided to subrecipients from each federal program.
5. For loan or loan guarantee programs described in §200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including total Federal awards expended for loan or loan guarantee programs in the schedule.
6. Include notes that describe significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimus cost rate as covered in §200.414 Indirect (F&A) costs.

The Defiance-Paulding Consolidated Department of Job and Family Services (the Department) prepared a Schedule of Expenditures of Federal Awards (the Schedule); however, total federal expenditures for the Foster Care Title IV-E grant were overstated by \$95,797 (14%); additional errors were noted in nonmajor programs.

These errors occurred since the Department lacked a policy regarding the review of the federal schedule.

Inaccurate completion of the Schedule could lead to inaccurate reporting of federal expenditures by the Department and could jeopardize future federal funding. Adjustments were made to the Schedule and the notes to the Schedule.

We recommend the Department implement policies and procedures, including a final review of the Schedule and notes to the Schedule, to ensure all applicable federal programs are included on the Schedule and all pertinent federal information is presented in the notes.

**Officials' Response**

The Business Administrator will utilize federal schedule preparation spreadsheets and supporting documentation to ensure proper federal amounts are reported on the federal schedule.

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
DECEMBER 31, 2016**

| <b>Finding Number</b> | <b>Finding Summary</b>                     | <b>Status</b>                                | <b>Additional Information</b>   |
|-----------------------|--|--|---|
| 2015-001              | Material weakness over financial reporting | Not Corrected. Reissued as finding 2016-001. | This comment was reissued due to an inadvertent oversight of providing information to the compiler for interfund receivable / payables, intergovernmental revenues, and budgetary information. The Business Administrator plans to provide the compiler with all the necessary budgetary information and updated system information to ensure future adjustments for interfund transactions are properly presented. |



**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES  
DEFIANCE COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
DECEMBER 31, 2016**

| <b>Finding Number</b> | <b>Planned Corrective Action</b>   | <b>Anticipated Completion Date</b> | <b>Responsible Contact Person</b>           |
|-----------------------|--|------------------------------------|---|
| 2016-001              | We will ensure all budgetary information is presented to the compiler. We will also ensure all system information for interfund receivables / payables and intergovernmental revenues are presented to the compiler as well. | 12/31/17                           | Cynthia Thatcher,<br>Business Administrator |
| 2016-002              | We will ensure all federal expenditures are properly reported.   | 12/31/17                           | Cynthia Thatcher,<br>Business Administrator |

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# Dave Yost • Auditor of State

**DEFIANCE – PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES**

**DEFIANCE COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 28, 2017**