



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 period October 1, 2013 through December 31, 2013, 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.

Summary of Opinions

| Opinion Unit | Type of Opinion |
|--------------------------|-----------------|
| Governmental Activities | Unmodified |
| Public Assistance | Unmodified |
| Public Children Services | Unmodified |
| Workforce Investment Act | Qualified |

Basis for Qualified Opinion on Major Governmental Fund Workforce Investment Act

Materials and Supplies Inventory and Nonspendable Fund Balance were reported at \$3,375 for the Workforce Investment Act Fund for the period ended December 31, 2013, which is 15 percent of total Workforce Investment Act Fund assets, and 24 percent of the total Workforce Investment Act Fund's fund balance. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as materials and supplies inventory and nonspendable fund balance. Accounting principles generally accepted in the United States of America require that materials and supplies inventory be reported on the balance sheet when material. We cannot reasonably determine the amount by which this departure would affect the assets, fund balances, and expenditures of the Workforce Investment Act Fund.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Major Governmental Fund Workforce Investment Act* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Workforce Investment Act Fund of the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio, as of December 31, 2013, and the respective changes in financial position thereof for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the Public Assistance Fund, and the Public Children Services Fund, of the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio, as of December 31, 2013, and the respective changes in its financial position thereof for the period 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*, 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 Federal Awards Expenditures Schedule also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relates 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 23, 2015, 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.



Dave Yost
Auditor of State

Columbus, Ohio

September 23, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
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 period October 1, 2013 through December 31, 2013. 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 the period are as follows:

- The total net position reported by the Department at December 31, 2013 was \$799,576.
- General revenues accounted for \$954,456 or 41.57% of total governmental activities revenue. Program specific revenues accounted for \$1,341,720 or 58.43% of total governmental activities revenue.
- The Department had \$1,496,600 in expenses related to governmental activities. These expenses were offset by general revenues (reimbursements and other revenues) of \$954,456 and program specific revenues (operating grants and contributions) of \$1,341,720.
- The Department's major governmental funds are the Public Assistance Fund, the Public Children Services Fund, and the Workforce Investment Act Fund. The Public Assistance Fund had revenues and other financing sources of \$1,307,719 and expenditures of \$899,695 during the period. The net increase in fund balance for the Public Assistance Fund was \$408,024 or 100.00%.
- The Public Children Services Fund had revenues and other financing sources of \$622,195 and expenditures of \$324,168 during the period. The net increase in fund balance for the Public Children Services Fund was \$298,027 or 100.00%.
- The Workforce Investment Act Fund had revenues and other financing sources of \$178,147 and expenditures of \$37,247 during the period. The net increase in fund balance for the Workforce Investment Act Fund was \$140,900 or 100.00%.

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. In the case of the Board, the Public Assistance Fund, the Public Children Services Fund, and the Workforce Investment Act Fund are reported as major funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
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 the period?" 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 Investment 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 periods. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
UNAUDITED
(Continued)**

Government-wide Financial Analysis

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 at December 31, 2013. The Department commenced operations on October 1, 2013; therefore, prior year comparison data is not available.

| | Net Position Governmental Activities <u>December 31, 2013</u> |
|--|---|
| <u>Assets</u> | |
| Current and other assets | \$ 1,315,575 |
| Capital assets, net | <u>36,215</u> |
| Total assets | <u>1,351,790</u> |
| <u>Liabilities</u> | |
| Current liabilities | 240,270 |
| Long-term liabilities | <u>311,944</u> |
| Total liabilities | <u>552,214</u> |
| <u>Net Position</u> | |
| Net investment in capital assets (deficit) | (4,024) |
| Restricted | <u>803,600</u> |
| Total net position | <u><u>\$ 799,576</u></u> |

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the Department's assets exceeded liabilities by \$799,576.

At December 31, 2013, capital assets represented 2.67% of total assets. Capital assets include machinery and equipment. The Department's net investment in capital assets was a deficit of \$4,024. 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 repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

At December 31, 2013, \$803,600 of Department's net position represents resources that are subject to external restriction on how they may be used.

The table below provides a summary of the Department's change in net position during the current period. The Department commenced operations on October 1, 2013; therefore, prior year comparison data is not available.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
UNAUDITED
(Continued)**

| | | Change in Net Position |
|------------------------------------|----|-------------------------------|
| | | Governmental Activities |
| | | <u>10/1/13-12/31/13</u> |
| Revenues: | | |
| Program revenues: | | |
| Operating grants and contributions | \$ | 1,341,720 |
| Total program revenues | | <u>1,341,720</u> |
| General revenues: | | |
| Reimbursements and other | | 40,360 |
| Start Up Funds | | <u>914,096</u> |
| Total general revenues | | <u>954,456</u> |
| Program expenses: | | |
| Public assistance | | 1,132,503 |
| Public children services | | 325,509 |
| Workforce investment act | | <u>38,588</u> |
| Total program expenses | | <u>1,496,600</u> |
| Change in net position | | 799,576 |
| Net position at beginning of year | | <u> </u> |
| Net position at end of year | \$ | <u><u>799,576</u></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 \$1,341,720 during the period.

The most significant program expenses for the Department are related to public assistance. These expenses totaled \$1,132,503 during the period, representing 75.67% of total governmental activities expenses.

The statement of activities shows the cost of program services and the grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for the current period. That is, it identifies the cost of these services supported by general revenues. The Department commenced operations on October 1, 2013; therefore, prior year comparison data is not available.

| Governmental Activities | | |
|--------------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services |
| | <u>10/1/13-12/31/13</u> | <u>10/1/13-12/31/13</u> |
| Program expenses: | | |
| Public assistance | \$ 1,132,503 | \$ 300,002 |
| Public children services | 325,509 | (80,521) |
| Workforce investment act | <u>38,588</u> | <u>(64,601)</u> |
| Total | <u>\$ 1,496,600</u> | <u>\$ 154,880</u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
UNAUDITED
(Continued)**

The dependence upon program specific revenues for governmental activities is apparent, with over 89.65% of expenses supported through 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's governmental funds reported a combined fund balance of \$846,951. The table below indicates the fund balances as of December 31, 2013 for the governmental funds. The Department commenced operations on October 1, 2013; therefore, prior year comparison data is not available.

| | Fund Balances | |
|--------------------------|--------------------------|-----------------------|
| | <u>December 31, 2013</u> | |
| Major funds: | | |
| Public Assistance | \$ | 408,024 |
| Public Children Services | | 298,027 |
| Workforce Investment Act | | <u>140,900</u> |
| Total | \$ | <u><u>846,951</u></u> |

The Public Assistance Fund had intergovernmental grants and entitlements totaling \$693,849 and reimbursements and other revenue of \$20,990 during the period. The Public Assistance Fund also reported other financing sources for a capital lease transaction in the amount of \$40,239 and start up funds in the amount of \$552,641 during the period.

The Public Children Services Fund received intergovernmental revenue of \$404,405, contributions and donations of \$1,625, and reimbursements and other revenue of \$19,370, during the period. These revenue sources far exceeded the Public Children Services Fund expenditures of \$324,168 incurred during the period. The Public Children Services Fund also reports other financing sources for start up funds in the amount of \$196,795 during the period.

The Workforce Investment Act Fund reported intergovernmental revenues of \$13,487 and total expenditures of \$37,247, with start up funds of \$164,660 resulting in a total fund balance of \$140,900.

Budgeting Highlights

The Department's budget is reflected in the Schedule of Revenues, Expenditures and Changes in Fund Balance –Budget (Non-GAAP Basis) and Actual 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 \$504,463, which were increased in the final budget to \$894,800. Actual revenues of \$1,267,480 were \$372,680 greater than the final budgeted revenues. The original budgeted expenditures were \$721,800, which were increased in the final budget to \$894,800. Actual expenditures of \$776,074 were \$118,726 less than the final budgeted expenditures.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
UNAUDITED
(Continued)**

In the Public Children Services Fund, the original budgeted revenues were \$390,342, which were increased in the final budget to \$546,342. Actual revenues of \$573,569 were \$27,227 greater than the final budgeted revenues. The original budgeted expenditures were \$390,342, which were increased in the final budget to \$546,342. Actual expenditures of \$230,194 were \$316,148 less than the final budgeted expenditures.

In the Workforce Investment Act Fund, the original budgeted revenues were \$128,878, which were increased in the final budget to \$188,878. Actual revenues of \$178,147 were \$10,731 less than the final budgeted revenues. The original budgeted expenditures were \$128,878, which were increased in the final budget to \$188,878. Actual expenditures of \$40,622 were \$148,256 less than the final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2013, the Department had \$36,215 (net of accumulated depreciation) invested in machinery and equipment. The following table shows December 31, 2013 capital asset balances. The Department commenced operations on October 1, 2013; therefore, prior year comparison data is not available. See Note 6 to the basic financial statements for additional capital assets disclosures.

**Capital Assets at December 31
(Net of Accumulated Depreciation)**

| | Governmental Activities |
|-------------------------|--------------------------------|
| | <u>December 31, 2013</u> |
| Capital assets: | |
| Machinery and equipment | <u>\$ 36,215</u> |

Debt Administration

The Department had the following long-term obligations outstanding at December 31, 2013. The Department commenced operations on October 1, 2013; therefore, prior year comparison data is not available. See Note 10 to the basic financial statements for additional debt administration disclosures.

| | Governmental Activities |
|---------------------------|--------------------------------|
| | <u>December 31, 2013</u> |
| Capital lease obligations | \$ 40,239 |
| Compensated absences | <u>271,705</u> |
| Total | <u>\$ 311,944</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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
UNAUDITED
(Continued)**

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.

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

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Cash with fiscal agent | \$ 1,027,821 |
| Receivables: | |
| Accounts | 3,341 |
| Due from other governments | 273,639 |
| Materials and supplies inventory | 10,127 |
| Prepayments | 647 |
| Capital assets: | |
| Depreciable capital assets, net. | 36,215 |
| Total assets | 1,351,790 |
| Liabilities: | |
| Accounts payable | 98,658 |
| Accrued wages and benefits payable | 88,276 |
| Due to other governments | 53,336 |
| Long-term liabilities: | |
| Due within one year | 206,376 |
| Due in more than one year. | 105,568 |
| Total liabilities | 552,214 |
| Net position: | |
| Net investment in capital assets (deficit). | (4,024) |
| Restricted for: | |
| Job and family services | 803,600 |
| Total net position | \$ 799,576 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013**

| | <u>Expenses</u> | <u>Program Revenues Operating Grants and Contributions</u> | <u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u> |
|--|---------------------|--|--|
| Governmental activities: | | | |
| Public assistance | \$ 1,132,503 | \$ 832,501 | \$ (300,002) |
| Public children services | 325,509 | 406,030 | 80,521 |
| Workforce investment act | 38,588 | 103,189 | 64,601 |
| Totals | <u>\$ 1,496,600</u> | <u>\$ 1,341,720</u> | <u>(154,880)</u> |
| General revenues: | | | |
| Reimbursements and other | | | 40,360 |
| Start Up Funds | | | 914,096 |
| Total general revenues | | | <u>954,456</u> |
| Change in net position | | | 799,576 |
| Net position at beginning of year | | | <u> </u> |
| Net position at end of year | | | <u>\$ 799,576</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

| | Public Assistance | Public Children Services | Workforce Investment Act | Total Governmental Funds |
|---|------------------------------|---|---|---|
| Assets: | | | | |
| Cash with fiscal agent | \$ 494,948 | \$ 384,540 | \$ 148,333 | \$ 1,027,821 |
| Receivables: | | | | |
| Accounts: | | 3,341 | | 3,341 |
| Due from other governments | 138,652 | 45,285 | 89,702 | 273,639 |
| Due from other funds | 78,829 | | | 78,829 |
| Materials and supplies inventory | 3,376 | 3,376 | 3,375 | 10,127 |
| Prepayments | 647 | | | 647 |
| Total assets | \$ 716,452 | \$ 436,542 | \$ 241,410 | \$ 1,394,404 |
| Liabilities: | | | | |
| Accounts payable | \$ 31,898 | \$ 55,952 | \$ 10,808 | \$ 98,658 |
| Accrued wages and benefits payable | 88,276 | | | 88,276 |
| Due to other governments | 49,602 | 3,734 | | 53,336 |
| Due to other funds | | 78,829 | | 78,829 |
| Total liabilities | 169,776 | 138,515 | 10,808 | 319,099 |
| Deferred inflows of resources: | | | | |
| Intergovernmental revenue not available | 138,652 | | 89,702 | 228,354 |
| Total deferred inflows of resources | 138,652 | | 89,702 | 228,354 |
| Fund balances: | | | | |
| Nonspendable | 4,023 | 3,376 | 3,375 | 10,774 |
| Restricted | 404,001 | 294,651 | 137,525 | 836,177 |
| Total fund balances | 408,024 | 298,027 | 140,900 | 846,951 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 716,452 | \$ 436,542 | \$ 241,410 | \$ 1,394,404 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

| | | |
|--|-------------|----------------|
| Total governmental fund balances | \$ | 846,951 |
| <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. | | 36,215 |
| 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 | | 228,354 |
| 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 | \$ (40,239) | |
| Compensated absences | (271,705) | |
| Total | | (311,944) |
| Net position of governmental activities | \$ | 799,576 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013**

| | Public Assistance | Public Children Services | Workforce Investment Act | Total Governmental Funds |
|---|------------------------------|---|---|---|
| Revenues: | | | | |
| Intergovernmental | \$ 693,849 | \$ 404,405 | \$ 13,487 | \$ 1,111,741 |
| Contributions and donations | | 1,625 | | 1,625 |
| Reimbursements and other | 20,990 | 19,370 | | 40,360 |
| Total revenues | <u>714,839</u> | <u>425,400</u> | <u>13,487</u> | <u>1,153,726</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public assistance | 859,456 | | | 859,456 |
| Public children services | | 324,168 | | 324,168 |
| Workforce investment act | | | 37,247 | 37,247 |
| Capital outlay | 40,239 | | | 40,239 |
| Total expenditures | <u>899,695</u> | <u>324,168</u> | <u>37,247</u> | <u>1,261,110</u> |
| Excess (deficiency) of revenues over/(under) expenditures | <u>(184,856)</u> | <u>101,232</u> | <u>(23,760)</u> | <u>(107,384)</u> |
| Other financing sources: | | | | |
| Capital lease transaction | 40,239 | | | 40,239 |
| Start Up Funds | 552,641 | 196,795 | 164,660 | 914,096 |
| Total other financing sources | <u>592,880</u> | <u>196,795</u> | <u>164,660</u> | <u>954,335</u> |
| Net change in fund balances | 408,024 | 298,027 | 140,900 | 846,951 |
| Fund balances at beginning of year | | | | |
| Fund balances at end of year | <u>\$ 408,024</u> | <u>\$ 298,027</u> | <u>\$ 140,900</u> | <u>\$ 846,951</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013**

Net change in fund balances - total governmental funds \$ 846,951

Amounts reported for governmental activities in the statement of activities are different because:

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.

| | | | |
|---------------------------|----|----------------|--------|
| Capital asset additions | \$ | 40,239 | |
| Current year depreciation | | <u>(4,024)</u> | |
| Total | | | 36,215 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|---------------------------|--|---------|
| Intergovernmental revenue | | 228,354 |
|---------------------------|--|---------|

Proceeds of capital lease transactions are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.

(40,239)

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.

(271,705)

Change in net position of governmental activities **\$ 799,576**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013**

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 Board of Commissioners consists of six members, with equal representation from both Counties. The Board of Commissioners 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, 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's 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, Departments, 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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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 period, 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.

C. Fund Accounting

The Department uses funds to maintain its financial records during the period. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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 Investment Act Fund - This fund accounts for grant monies received from the United States 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 period.

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period 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 period. For the Department, available means expected to be received within thirty days of period end.

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 period 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 period end include grants.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the Department that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the Department that is applicable to a future reporting period.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources on the governmental fund financial statements.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 cash. The Department 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).

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 period 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

| <u>Description</u> | <u>Useful Lives</u> |
|-------------------------|---------------------|
| Machinery and Equipment | 5-20 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.

K. Compensated Absences

Vacation leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the Department will compensate the employees for the benefits through paid time off or some other means. The Department records a liability for accumulated unused vacation leave when earned for all employees with more than one year of service with the Department.

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 period end, taking into consideration any limits specified in the Department's 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period. 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 generally accepted accounting principles 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.

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 Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the period.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

During the period, the Department has implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34" and GASB Statement No. 66, "Technical Corrections-2012 - an Amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the basic financial statements of the Department.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 66 improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements; GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements". The implementation of GASB Statement No. 66 did not have an effect on the basic 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 period end, the carrying amount of the Department's deposits with the Defiance County Treasurer was \$1,027,821, which is reflected as cash with fiscal agent on the basic financial statements (the Department had no investments to report during the period). 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, 2013 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:

| <u>Governmental Activities</u> | <u>Amounts</u> |
|--------------------------------|-------------------|
| Public Assistance | \$ 138,652 |
| Public Children Services | 45,285 |
| Workforce Investment Act | <u>89,702</u> |
| Total | <u>\$ 273,639</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 6 - CAPITAL ASSETS

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

| <u>Governmental activities:</u> | <u>Additions</u> | <u>Balance December 31, 2013</u> |
|--|------------------|--------------------------------------|
| <i>Capital assets, being depreciated:</i> | | |
| Machinery and equipment | \$ 40,239 | \$ 40,239 |
| Total capital assets, being depreciated | <u>40,239</u> | <u>40,239</u> |
| <i>Less: accumulated depreciation:</i> | | |
| Machinery and equipment | <u>(4,024)</u> | <u>(4,024)</u> |
| Total accumulated depreciation | <u>(4,024)</u> | <u>(4,024)</u> |
| Total capital assets, being depreciated, net | <u>36,215</u> | <u>36,215</u> |
| Governmental activities capital assets | <u>\$ 36,215</u> | <u>\$ 36,215</u> |

Depreciation expense was charged to governmental activities as follows:

| <u>Governmental Activities</u> | <u>Amounts</u> |
|--------------------------------|-----------------|
| Public assistance | \$ 1,342 |
| Public children services | 1,341 |
| Workforce investment act | <u>1,341</u> |
| Total depreciation expense | <u>\$ 4,024</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, 2013 insurance coverage limits are as follows:

| | |
|-------------------------------|-------------|
| Property | \$4,351,773 |
| 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 |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 7 - RISK MANAGEMENT (Continued)

Settled claims at the Department have not exceeded this commercial coverage in during the fiscal period.

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 at Defiance County 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 is 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, 2013 is estimated by a third party administrator at \$193,935, which includes all outstanding claims made by the Department's employees.

As of December 31, 2013, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 7 - RISK MANAGEMENT (Continued)

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.

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 - PENSION PLANS

Ohio Public Employees Retirement System

Plan Description - Through Defiance County, the Department participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and public safety divisions exist only within the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report, which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2013 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 12.00% and 12.60%, respectively. The Department's contribution rate through Defiance County for the period was 14.00%.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 8 - PENSION PLANS (Continued)

The Department's required contributions for the pension obligations to OPERS for the fiscal period ended December 31, 2013 was \$52,021, which was equal to the required contribution for the period.

NOTE 9 - POSTEMPLOYMENT BENEFIT PLANS

Ohio Public Employees Retirement

Plan Description - OPERS maintains a cost-sharing, multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

To qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report, which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The postemployment health care plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund postemployment health care for members in the Traditional Plan for 2013 was 1.00%. The portion of employer contributions allocated to fund postemployment health care for members in the Combined Plan for 2013 was 1.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The Department's required contributions that were allocated to fund postemployment benefits with OPERS for the fiscal period ended December 31, 2013 was \$8,670.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFIT PLANS (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 10 - LONG-TERM OBLIGATIONS

The Department's long-term obligations activity as of December 31, 2013 was as follows:

| | <u>Additions</u> | <u>Reductions</u> | <u>Balance December 31, 2013</u> | | <u>Amounts Due in One Year</u> |
|--|-------------------|--------------------|--------------------------------------|----|--|
| Governmental activities: | | | | | |
| Capital lease obligations | \$ 40,239 | | \$ 40,239 | \$ | 7,128 |
| Compensated absences | 290,394 | \$ (18,689) | 271,705 | | 199,248 |
| Total governmental activities long-term obligations | <u>\$ 330,633</u> | <u>\$ (18,689)</u> | <u>\$ 311,944</u> | | <u>\$ 206,376</u> |

Capital Lease Obligations: The capital lease obligations will be paid from the Public Assistance Fund. See Note 11 for details.

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

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During the period, 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, when made, will be reclassified and reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures will be 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, 2013 for this equipment was \$4,024, leaving a current book value of \$36,215. A corresponding liability is recorded on the government-wide financial statements. Principal payments will be made beginning in 2014 from the Public Assistance Fund.

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, 2013:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2014 | \$ 9,150 |
| 2015 | 9,151 |
| 2016 | 9,150 |
| 2017 | 9,151 |
| 2018 | <u>9,150</u> |
| Total minimum lease payments | 45,752 |
| Less: amount representing interest | <u>(5,513)</u> |
| Total | <u>\$ 40,239</u> |

NOTE 12 - OPERATING LEASES

The Department has entered into operating lease agreements for office space at the following three locations: Evergreen Lane Office Complex, 315 West Harrison Street, and Defiance County Workforce Development Office.

During the period October 1, 2013 through November 30, 2013, the Department leased office space at Evergreen Lane Office Complex for \$7,216 per month. During the period December 1, 2013 through December 31, 2013, the lease payments for the office space at this location were reduced to \$4,534 per month.

During the period October 1, 2013 through December 31, 2013, the Department leased office space at 315 West Harrison Street for \$475 per month.

During the period October 1, 2013 through December 31, 2013, the Department leased office space at Defiance County Workforce Development Office at a rate of \$10.50 per square foot, per year.

NOTE 13 - INTERFUND TRANSACTIONS

Due from/to other funds consisted of the following at December 31, 2013, 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 | <u>\$ 78,829</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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013
(Continued)**

NOTE 14 - CONTINGENT LIABILITIES

A. Grants

For the period October 1, 2013 through December 31, 2013, 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.

NOTE 15 – FUND BALANCE

At December 31, 2013 fund balances are composed of the following:

| | Public Assistance Fund | Public Children Services Fund | Workforce Investment Act Fund | Total Governmental Funds |
|------------------------|------------------------------|--|--|--------------------------------|
| Nonspendable: | | | | |
| Materials and Supplies | \$3,376 | \$3,376 | \$3,375 | \$3,375 |
| Prepayments | 647 | | | 647 |
| Total Committed | <u>4,023</u> | <u>3,376</u> | <u>3,375</u> | <u>10,774</u> |
| Restricted: | | | | |
| Public Assistance | 404,001 | | | 404,001 |
| Children Services | | 294,651 | | 294,651 |
| Workforce Investment | | | 137,525 | 137,525 |
| Total Restricted | <u>404,001</u> | <u>294,651</u> | <u>137,525</u> | <u>836,177</u> |
| Total Fund Balance | <u>\$408,024</u> | <u>\$298,027</u> | <u>\$140,900</u> | <u>\$846,951</u> |

NOTE 16 – BEGINNING OF OPERATIONS

Defiance and Paulding Counties elected to merge operations into a consolidated department beginning October 1, 2013. Defiance County made a final distribution of the remaining cash fund balance of \$759,391 on behalf of the Defiance County Department of Jobs and Family Services to the Department. Paulding County also made a final distribution of the remaining cash fund balance of \$154,705 on behalf of the Paulding County Department of Jobs and Family Services to the Department. This distribution is described as Start Up Funds on the financial statements.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC ASSISTANCE FUND
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Intergovernmental | \$ 473,463 | \$ 851,800 | \$ 693,849 | \$ (157,951) |
| Reimbursements and other | 31,000 | 43,000 | 20,990 | (22,010) |
| Total revenues | <u>504,463</u> | <u>894,800</u> | <u>714,839</u> | <u>(179,961)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public assistance | <u>721,800</u> | <u>894,800</u> | <u>776,074</u> | <u>118,726</u> |
| Total expenditures | <u>721,800</u> | <u>\$ 894,800</u> | <u>776,074</u> | <u>118,726</u> |
| Excess of expenditures over revenues | <u>(217,337)</u> | | <u>(61,235)</u> | <u>(61,235)</u> |
| Other financing sources: | | | | |
| Start Up Funds | | | <u>552,641</u> | <u>552,641</u> |
| Net change in fund balance | (217,337) | | 491,406 | 491,406 |
| Fund balance at beginning of year | | | | |
| Fund balance (deficit) at end of year | <u>\$ (217,337)</u> | | <u>\$ 491,406</u> | <u>\$ 491,406</u> |

SEE ACCOMPANYING NOTES TO SUPPLEMENTAL INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC CHILDREN SERVICES FUND
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ 368,592 | \$ 443,592 | \$ 359,120 | \$ (84,472) |
| Contributions and donations. | 3,000 | 3,000 | 1,625 | (1,375) |
| Reimbursements and other | 18,750 | 99,750 | 16,029 | (83,721) |
| Total revenues | <u>390,342</u> | <u>546,342</u> | <u>376,774</u> | <u>(169,568)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public children services | 390,342 | 546,342 | 230,194 | 316,148 |
| Total expenditures | <u>\$ 390,342</u> | <u>\$ 546,342</u> | <u>230,194</u> | <u>316,148</u> |
| Excess of revenues over expenditures | | | 146,580 | 146,580 |
| Other financing sources: | | | | |
| Start Up Funds | | | 196,795 | 196,795 |
| Net change in fund balance | | | 343,375 | 343,375 |
| Fund balance at beginning of year | | | | |
| Fund balance at end of year | | | <u>\$ 343,375</u> | <u>\$ 343,375</u> |

SEE ACCOMPANYING NOTES TO SUPPLEMENTAL INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WORKFORCE INVESTMENT ACT FUND
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ 128,878 | \$ 188,878 | \$ 13,487 | \$ (175,391) |
| Total revenues | <u>128,878</u> | <u>188,878</u> | <u>13,487</u> | <u>(175,391)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Workforce investment act | 128,878 | 188,878 | 40,622 | 148,256 |
| Total expenditures | <u>\$ 128,878</u> | <u>\$ 188,878</u> | <u>40,622</u> | <u>148,256</u> |
| Excess of expenditures over revenues | | | <u>(27,135)</u> | <u>(27,135)</u> |
| Other financing sources: | | | | |
| Start Up Funds | | | 164,660 | 164,660 |
| Net change in fund balance | | | 137,525 | 137,525 |
| Fund balance at beginning of year | | | | |
| Fund balance at end of year | | | <u>\$ 137,525</u> | <u>\$ 137,525</u> |

SEE ACCOMPANYING NOTES TO SUPPLEMENTAL INFORMATION

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

**NOTES TO SUPPLEMENTAL INFORMATION
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013**

NOTE 1 - BUDGETARY SCHEDULES

Defiance County (the fiscal agent) required 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 period, 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:

Net Change in Fund Balance

| | Public Assistance | Public Children Services | Workforce Investment Act |
|---|----------------------|--------------------------------|--------------------------------|
| Budgetary basis | \$ 491,406 | \$ 343,375 | \$ 137,525 |
| Net adjustment for revenue accruals | | 48,626 | |
| Net adjustment for expenditure accruals | (127,163) | (135,139) | (7,433) |
| Net adjustment for other sources/uses | 40,239 | | |
| Adjustment for encumbrances | <u>3,542</u> | <u>41,165</u> | <u>10,808</u> |
| GAAP basis | <u>\$ 408,024</u> | <u>\$ 298,027</u> | <u>\$ 140,900</u> |

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements |
|--|----------------------------------|---------------------------|-------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Job and Family Services</i> | | | |
| State Administrative Matching Grants for the Supplemental Assistance Program | G-1415-11-5254 | 10.561 | \$87,557 |
| UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <i>Passed Through Ohio Department of Job and Family Services</i> | | | |
| Promoting Safe and Stable Families | G-1415-11-5254 | 93.556 | 904 |
| Temporary Assistance for Needy Families | G-1415-11-5254 | 93.558 | 115,492 |
| Child Care and Development Block Grant | G-1415-11-5254 | 93.575 | 11,685 |
| Social Services Block Grant | G-1415-11-5254 | 93.667 | 122,604 |
| Chaffee Foster Care Independence Program | G-1415-11-5254 | 93.674 | 37 |
| Medical Assistance Program | G-1415-11-5254 | 93.778 | 116,076 |
| Foster Care Title IV-E | G-1415-11-5254 | 93.658 | 42,883 |
| Foster Care Title IV-E Administration | G-1415-11-5254 | 93.658 | 6,897 |
| Total Foster Care Title IV-E | | | <u>49,780</u> |
| Adoption Assistance Administration | G-1415-11-5254 | 93.659 | 46,646 |
| Total U.S. Department of Health and Human Services | | | <u>463,224</u> |
| UNITED STATES DEPARTMENT OF LABOR | | | |
| <i>Passed Through Montgomery County Workforce Investment Act Area 7</i> | | | |
| <i>Workforce Investment Act Cluster:</i> | | | |
| Workforce Investment Act - Adult | G-1415-11-5254 | 17.258 | 31,763 |
| Workforce Investment Act - Youth | G-1415-11-5254 | 17.259 | 14,942 |
| Total Workforce Investment Act Cluster | | | <u>46,705</u> |
| Total Federal Awards Expenditures | | | <u><u>\$597,486</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 FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE PERIOD OCTOBER 1, 2013 THROUGH DECEMBER 31, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio's (the Department) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – 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.

NOTE C – SUBRECIPIENTS

The Department passes certain federal awards received from Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note A 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.



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 period October 1, 2013 through December 31, 2013, 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 23, 2015, wherein we qualified our opinion on the Workforce Investment Act Fund because we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as materials and supplies inventory and nonspendable fund balance.

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.

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

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 a 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. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

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 Responses to Findings

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Department's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 23, 2015



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 OMB CIRCULAR A-133

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 (the Department) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Department's major federal programs for the period October 1, 2013 through December 31, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 the Department's major programs. However, our audit does not provide a legal determination of the Department's compliance.

Basis for Qualified Opinion on Social Services Block Grant

As described in finding 2013-003 in the accompanying schedule of findings, the Department did not comply with requirements regarding reporting applicable to its Social Services Block Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the Department to comply with requirements applicable to this program.

Qualified Opinion on Social Services Block Grant

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Social Services Block Grant* paragraph, the Defiance-Paulding Consolidated Department of Job and Family Services complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Social Services Block Grant* for the period October 1, 2013 through December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Defiance-Paulding Consolidated Department of Job and Family Services complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the period October 1, 2013 through December 31, 2013.

Other Matters

The Department's response to our noncompliance finding is described in the accompanying schedule of findings. 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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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

and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-003 to be a material weakness.

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

This report only describes the scope of our test of internal control compliance and the results of this testing based on OMB Circular A-133 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 23, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013**

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Modified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified: Temporary Assistance for Needy Families – CFDA #93.558 Medical Assistance program – CFDA #93.778 Qualified: Social Services Block Grant – CFDA #93.667 |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | Temporary Assistance for Needy Families – CFDA #93.558 Social Services Block Grant – CFDA #93.667 Medical Assistance program – CFDA #93.778 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2013-001

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 activity. The Department lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- Start-up funds from Defiance County and Paulding County in the amount of \$552,641 in the Public Assistance Fund, \$196,795 in the Public Children Services Fund, and \$164,660 in the Workforce Investment Act (WIA) Fund were incorrectly posted as intergovernmental revenues in 2013.
- Intergovernmental revenues in the Public Assistance Fund and the Public Children Services Fund in the amounts of \$322,292 and \$151,641, respectively, were incorrectly posted as reimbursement revenues in 2013.
- Due from Other Governments was understated by \$39,758 and \$20,007 in the Public Children Services Fund and WIA Fund, respectively, in 2013.
- Intergovernmental revenue was overstated and deferred inflow of resources was understated by \$138,652 in the Public Assistance Fund in 2013.

Adjusting entries were posted to the financial statements and the Department's financial records to correct these and two other errors.

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:

Department is preparing policy and procedures to review monthly updates of all financial reports and will present the reports to the Board for approval. Quarterly updates using the Certification of Funds report will be provided at each Board meeting which verifies the agency balances with the County Auditor and the CFIS system used by the state.

FINDING NUMBER 2013-002

Material Weakness - Materials and Supplies Inventory

Codifications of Governmental Accounting and Financial Reporting Standards § 1600. ¶ .127 provides that inventory items may be considered expenditures either when purchased (purchase method) or when used (consumption method), but significant amounts of inventory should be reported on the balance sheet. The Department used the consumption method for reporting their inventory of office supplies.

The Department maintained no perpetual materials and supplies inventory record, nor was an inventory count taken at December 31, 2013. The material and supplies inventory amount reported on the December 31, 2013 balance sheet was actually the inventory valuation from the materials and supplies inventory count taken on September 30, 2013.

Lack of an inventory record as of the balance sheet date did not provide sufficient information to report an accurate asset total, or for auditors to opine on the total presented on the Department's financial statements as of December 31, 2013, and as a result a modified audit opinion was issued.

We recommend the Fiscal Officer, or designee take an annual inventory count as of fiscal year end, and adopt a policy which at a minimum includes:

- The funds that have inventory, and the nature of the items held in inventory.
- The date of and procedures used to take the physical inventory.
- The accounting method used to value inventory.

Officials' Response:

Agency consolidated using the period October 1, 2013 through September 30, 2014. The Department took inventory as of September 30, 2013 right before consolidation with the plan of taking inventory September 30, 2014 as our year end, therefore, we did not take it in December 2013. During that time, it was determined that we change our reporting year to January through December. So the Department took an inventory in December 2014. Going forward the Department will take inventory at calendar year end using the FIFO method which follows the Defiance County Auditor policy.

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

| | |
|------------------------------|---|
| Finding Number | 2013-003 |
| CFDA Title and Number | Social Services Block Grant, CFDA #93.667 |
| Federal Agency | United States Department of Health and Human Services |
| Pass-Through Agency | Ohio Department of Job and Family Services |

Noncompliance Citation and Material Weakness

Reporting

45 CFR 92.40 (b)(1), (4) grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports. However, performance reports will not be required more frequently than quarterly. Grantees will adhere to the standards in this section in prescribing performance reporting requirements for subgrantees.

Ohio Department of Job and Family Services Administrative Procedure Manual Section 5501 requires the Department to complete an electronic report referred to as JFS 04282 in order to facilitate required federal reporting. The JFS 04282 report captures data for individuals receiving public or private services funded in whole or part with Social Services Block Grant funds. The JFS 04282 reports are due to be submitted to the Ohio Department of Job and Family Services Bureau of Federal Financial Reporting no later than 45 calendar days following the end of the quarter. The Department

must submit a report even if Social Services Block Grant direct services were not provided and/or purchased services expenditures were not made during the quarter.

The Department lacked a policy regarding report preparation, review, and submission which contributed to the Department not submitting the October through December 2013 quarterly JFS 04282 report for the Paulding Office. We recommend the Department prepare the required reports in a timely manner.

We recommend the Department develop internal control procedures to ensure that reports are submitted timely. This will allow the Department to comply with Ohio Department of Job and Family Services requirements that were adopted to facilitate federal reporting.

Officials' Response:

See Corrective Action Plan for Officials' response.

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2013**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-----------------------------|----------------------------|
| 2013-003 | The Department has created an internal control which has been implemented using an agency calendar showing all dates reports are to be completed. This calendar will also populate a 60, 45, and 30 day reminder ahead for completion. | September 23, 2015 | Cindy Thatcher |

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Dave Yost • Auditor of State

DEFIANCE- PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICE

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
OCTOBER 13, 2015**