



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio (the Department), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio, as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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.

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

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 YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

The management's discussion and analysis of the Defiance-Paulding Consolidated Department of Job and Family Services (the Department) financial performance provides an overall review of the Department's financial activities for the year ended December 31, 2014. 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 2014 are as follows:

- The total net position reported by the Department decreased \$209,728 from \$799,576 to \$589,848.
- General revenues accounted for \$330,235 or 7.3% of total governmental activities revenue. Program specific revenues accounted for \$4,197,167 or 92.7% of total governmental activities revenue.
- The Department had \$4,737,130 in expenses related to governmental activities. These expenses were partially offset by general revenues (reimbursements and other revenues) of \$330,235 and program specific revenues (operating grants and contributions) of \$4,197,167.
- 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 of \$3,108,013 and expenditures of \$2,973,207 during 2014. The net increase in fund balance for the Public Assistance Fund was \$134,806 or 33%.
- The Public Children Services Fund had revenues of \$1,328,998 and expenditures of \$1,156,683 during 2014. The net increase in fund balance for the Public Children Services Fund was \$172,315 or 57.82%.
- The Workforce Investment Act Fund had revenues of \$202,770 and expenditures of \$393,797 during 2014. The net decrease in fund balance for the Workforce Investment Act Fund was \$191,027 or 135.58%.

Using this Annual Report

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

The statement of net position and statement of activities provide information about the activities of the whole Department, presenting both an aggregate view of the Department's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Department's most significant funds. In the case of the Department, 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 YEAR ENDED DECEMBER 31, 2014
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 2014?" 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 years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Department's operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

Notes to the Basic Financial Statements

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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, 2014 and December 31, 2013.

	Net Position	
	Governmental Activities <u>December 31, 2014</u>	Governmental Activities <u>December 31, 2013</u>
<u>Assets</u>		
Current and other assets	\$ 1,321,318	\$ 1,315,575
Capital assets, net	<u>51,938</u>	<u>36,215</u>
Total assets	<u>1,373,256</u>	<u>1,351,790</u>
<u>Liabilities</u>		
Current liabilities	242,298	240,270
Long-term liabilities	<u>541,110</u>	<u>311,944</u>
Total liabilities	<u>783,408</u>	<u>552,214</u>
<u>Net Position</u>		
Net investment in capital assets (deficit)	18,827	(4,024)
Restricted	<u>571,021</u>	<u>803,600</u>
Total net position	<u>\$ 589,848</u>	<u>\$ 799,576</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the Department's assets exceeded liabilities by \$589,848.

At December 31, 2014, capital assets represented 3.78% of total assets. Capital assets include machinery and equipment and vehicles. The Department's net investment in capital assets at December 31, 2014 was \$18,827. 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, 2014, \$571,021 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 changes in net position for 2014 and the period of October 1, 2013 through December 31, 2013. The Department commenced operations on October 1, 2013; therefore, prior year comparison data only covers a three-month period.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

	Change in Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>10/1/13-12/31/13</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 4,197,167	\$ 1,341,720
Total program revenues	<u>4,197,167</u>	<u>1,341,720</u>
General revenues:		
Start Up Funds		914,096
Reimbursements and other	<u>330,235</u>	<u>40,360</u>
Total general revenues	<u>330,235</u>	<u>954,456</u>
Program expenses:		
Public assistance	3,178,044	1,132,503
Public children services	1,159,975	325,509
Workforce investment act	397,089	38,588
Interest and fiscal charges	<u>2,022</u>	
Total program expenses	<u>4,737,130</u>	<u>1,496,600</u>
Change in net position	(209,728)	799,576
Net position at beginning of year	<u>799,576</u>	
Net position at end of year	<u>\$ 589,848</u>	<u>\$ 799,576</u>

The Department is primarily funded by state and federal grants intended to assist individuals with medical expenses, foster care, child welfare, employment opportunities, and other social services. These grants are considered operating grants and contributions in the statement of activities, totaling \$4,197,167 during the year.

The most significant program expenses for the Department are related to public assistance. These expenses totaled \$3,178,044 during the year, representing 67.09% 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 2014 and the period of October 1, 2013 through December 31, 2013. 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 only covers a three-month period.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

	Governmental Activities			
	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>10/1/13-12/31/13</u>	Net Cost of Services <u>10/1/13-12/31/13</u>
	Program expenses:			
Public assistance	\$ 3,178,044	\$ 273,470	\$ 1,132,503	\$ 300,002
Public children services	1,159,975	96,425	325,509	(80,521)
Workforce investment act	397,089	168,046	38,588	(64,601)
Interest and fiscal charges	<u>2,022</u>	<u>2,022</u>	<u> </u>	<u> </u>
Total	<u>\$ 4,737,130</u>	<u>\$ 539,963</u>	<u>\$ 1,496,600</u>	<u>\$ 154,880</u>

The dependence upon program specific revenues for governmental activities is apparent, with 88.60% 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 \$963,045, which is \$116,094 more than last year's total of \$846,951. The table below indicates the fund balances and the total change in fund balances as of December 31, 2014 and December 31, 2013 for the governmental funds. The Department commenced operations on October 1, 2013; therefore, prior year comparison data only covers a three-month period.

	Fund Balances (Deficit)	Fund Balances	<u>Decrease</u>	<u>Percentage Change</u>
	<u>December 31, 2014</u>	<u>December 31, 2013</u>		
Major funds:				
Public Assistance	\$ 542,830	\$ 408,024	\$ 134,806	33.04 %
Public Children Services	470,342	298,027	172,315	57.82 %
Workforce Investment Act	<u>(50,127)</u>	<u>140,900</u>	<u>(191,027)</u>	<u>(135.58) %</u>
Total	<u>\$ 963,045</u>	<u>\$ 846,951</u>	<u>\$ 116,094</u>	13.71 %

The Public Assistance Fund had intergovernmental grants and entitlements totaling \$3,043,226 during the year. This revenue source, in addition to reimbursements and other revenues of \$64,787, was not sufficient to cover the Public Assistance Fund expenditures of \$2,973,207, resulting in an increase of \$134,806 in fund balance during 2014.

The Public Children Services Fund received intergovernmental revenue of \$1,062,694, contributions and donations of \$856, and reimbursements and other revenues of \$265,448 during the year. These revenue sources were adequate to provide for the Public Children Services Fund expenditures of \$1,156,683 incurred during the year, resulting in an increase of \$172,315 in fund balance during 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

The Workforce Investment Act Fund reported total revenues of \$202,770 and total expenditures of \$393,797, resulting in a decrease in fund balance of \$191,027 from \$140,900 to a deficit balance of \$50,127.

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 \$3,339,747, which were increased in the final budget to \$3,628,620. Actual revenues of \$2,817,725 were \$810,895 less than the final budgeted revenues. The original budgeted expenditures were \$3,294,747, which were increased in the final budget to \$3,432,163. Actual expenditures of \$3,259,249 were \$172,914 less than the final budgeted expenditures.

In the Public Children Services Fund, the original budgeted revenues were \$1,725,769, which were increased in the final budget to \$1,775,681. Actual revenues of \$1,000,740 were \$774,941 less than the final budgeted revenues. The original budgeted expenditures were \$1,515,769, which were increased in the final budget to \$1,565,681. Actual expenditures of \$1,233,026 were \$332,655 less than the final budgeted expenditures.

In the Workforce Investment Act Fund, the original budgeted revenues were \$606,814, which were increased in the final budget to \$616,814. Actual revenues of \$182,770 were \$434,044 less than the final budgeted revenues. The original budgeted expenditures were \$606,814, were the same as the final budgeted expenditures. Actual expenditures of \$197,866 were \$408,948 less than the final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2014, the Department had \$51,938 (net of accumulated depreciation) invested in machinery and equipment and vehicles. The following table shows December 31, 2014 and December 31, 2013 capital asset balances. 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, 2014</u>	<u>December 31, 2013</u>
Capital assets:		
Machinery and equipment	\$ 28,167	\$ 36,215
Vehicles	<u>23,771</u>	<u> </u>
Total	<u>\$ 51,938</u>	<u>\$ 36,215</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Debt Administration

The Department had the following long-term obligations outstanding at December 31, 2014 and December 31, 2013. See Note 10 to the basic financial statements for additional debt administration disclosures.

	Governmental Activities	Governmental Activities
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Capital lease obligations	\$ 33,111	\$ 40,239
Compensated absences	507,999	271,705
Total	<u>\$ 541,110</u>	<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.

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, 2014**

	Governmental Activities
Assets:	
Cash with fiscal agent	\$ 423,079
Receivables:	
Accounts	2
Due from other governments	881,974
Materials and supplies inventory	8,852
Prepayments	7,411
Capital assets:	
Depreciable capital assets, net.	51,938
Total assets	1,373,256
Liabilities:	
Accounts payable	137,434
Accrued wages and benefits payable	25,805
Due to other governments	79,059
Long-term liabilities:	
Due within one year	259,422
Due in more than one year.	281,688
Total liabilities	783,408
Net position:	
Net investment in capital assets.	18,827
Restricted for:	
Job and family services	571,021
Total net position	\$ 589,848

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Expenses	Program Revenues <u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Changes in Net Position <u>Governmental Activities</u>
Governmental activities:			
Public assistance	\$ 3,178,044	\$ 2,904,574	\$ (273,470)
Public children services	1,159,975	1,063,550	(96,425)
Workforce investment act	397,089	229,043	(168,046)
Interest and fiscal charges	2,022		(2,022)
Totals	\$ 4,737,130	\$ 4,197,167	(539,963)
General revenues:			
Reimbursements and other			330,235
Total general revenues			330,235
Change in net position			(209,728)
Net position at beginning of year			799,576
Net position at end of year			\$ 589,848

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, 2014**

	Public Assistance	Public Children Services	Workforce Investment Act	Total Governmental Funds
Assets:				
Cash with fiscal agent	\$ 66,499	\$ 223,343	\$ 133,237	\$ 423,079
Receivables:				
Accounts		2		2
Due from other governments	369,117	376,882	135,975	881,974
Due from other funds	245,513			245,513
Materials and supplies inventory	2,951	2,951	2,950	8,852
Prepayments	7,411			7,411
Total assets	\$ 691,491	\$ 603,178	\$ 272,162	\$ 1,566,831
Liabilities:				
Accounts payable	\$ 44,390	\$ 85,008	\$ 8,036	\$ 137,434
Accrued wages and benefits payable	25,805			25,805
Due to other governments	78,466	593		79,059
Due to other funds		47,235	198,278	245,513
Total liabilities	148,661	132,836	206,314	487,811
Deferred inflows of resources:				
Intergovernmental revenue not available			115,975	115,975
Total deferred inflows of resources			115,975	115,975
Fund balances:				
Nonspendable	10,362	2,951	2,950	16,263
Restricted	532,468	467,391		999,859
Unassigned (deficit)			(53,077)	(53,077)
Total fund balances (deficit)	542,830	470,342	(50,127)	963,045
Total liabilities, deferred inflows of resources and fund balances	\$ 691,491	\$ 603,178	\$ 272,162	\$ 1,566,831

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, 2014**

Total governmental fund balances	\$	963,045
<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.		51,938
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		115,975
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	\$ (33,111)	
Compensated absences	(507,999)	
Total	(541,110)	(541,110)
Net position of governmental activities	\$	589,848

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 YEAR ENDED DECEMBER 31, 2014**

	Public Assistance	Public Children Services	Workforce Investment Act	Total Governmental Funds
Revenues:				
Intergovernmental	\$ 3,043,226	\$ 1,062,694	\$ 202,770	\$ 4,308,690
Contributions and donations		856		856
Reimbursements and other	64,787	265,448		330,235
Total revenues	3,108,013	1,328,998	202,770	4,639,781
Expenditures:				
Current:				
Public assistance	2,964,057			2,964,057
Public children services		1,156,683		1,156,683
Workforce investment act			393,797	393,797
Debt service:				
Principal retirement	7,128			7,128
Interest and fiscal charges	2,022			2,022
Total expenditures	2,973,207	1,156,683	393,797	4,523,687
 Net change in fund balances	 134,806	 172,315	 (191,027)	 116,094
 Fund balances at beginning of year	 408,024	 298,027	 140,900	 846,951
Fund balances (deficit) at end of year	\$ 542,830	\$ 470,342	\$ (50,127)	\$ 963,045

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 YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds \$ 116,094

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	\$	124,688	
Current year depreciation		<u>(108,965)</u>	
Total			15,723

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

Intergovernmental revenue	(112,379)
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Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.

7,128

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.

(236,294)

Change in net position of governmental activities \$ (209,728)

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 YEAR ENDED DECEMBER 31, 2014**

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 Department of County Commissioners of Defiance County and Paulding County. The Department consists of six members, with equal representation from both Counties. The Department 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 Department (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 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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year, the Department segregates transactions related to certain Department functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Department at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

C. Fund Accounting

The Department uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary. The Department has only governmental funds.

GOVERNMENTAL FUNDS

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Workforce 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 year.

D. Measurement Focus

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

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

E. Basis of Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Deferred 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.

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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Materials and Supplies Inventory

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

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

H. Prepayments

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

I. Capital Assets

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

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

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

<u>Description</u>	<u>Useful Lives</u>
Machinery and Equipment	5-20 years
Vehicles	8-15 years

J. Interfund Balances

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year end, taking into consideration any limits specified in departmental personnel policies. The Department records a liability for accumulated unused sick leave for any employee with ten years of service with the Department.

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2014, the Department has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Department.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Department.

B. Deficit Fund Balances

Fund balances at December 31, 2014 included the following individual fund deficit:

<u>Major governmental fund</u>	<u>Deficit</u>
Workforce Investment Act Fund	\$ 50,127

The deficit fund balance resulted from adjustments for accrued liabilities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

The Defiance County Treasurer maintains a cash pool used by all of Defiance County's funds, including those of the Department. The Ohio Revised Code prescribes allowable deposits and investments. At year end, the carrying amount of the Department's deposits with the Defiance County Treasurer was \$423,079, which is reflected as cash with fiscal agent on the basic financial statements (the Department had no investments to report during the year). The Defiance County Treasurer is responsible for maintaining adequate depository collateral for all funds in Defiance County's pooled deposits and investments.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2014 consisted of accounts and intergovernmental grants and entitlements (classified as due from other governments on the basic financial statements). All receivables are considered fully collectible within one year.

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

Governmental Activities	Amounts
Public Assistance	\$ 369,117
Public Children Services	376,882
Workforce Investment Act	135,975
Total	\$ 881,974

NOTE 6 - CAPITAL ASSETS

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

	Balance January 1, 2014	Additions	Balance December 31, 2014
<u>Governmental activities:</u>			
<i>Capital assets, being depreciated:</i>			
Machinery and equipment	\$ 40,239		\$ 40,239
Vehicles		\$ 25,599	25,599
Total capital assets, being depreciated	40,239	25,599	65,838
<i>Less: accumulated depreciation:</i>			
Machinery and equipment	(4,024)	(4,024)	(8,048)
Vehicles		(5,852)	(5,852)
Total accumulated depreciation	(4,024)	(9,876)	(13,900)
Total capital assets, being depreciated, net	36,215	15,723	51,938
Governmental activities capital assets, net	\$ 36,215	\$ 15,723	\$ 51,938

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Public assistance	\$ 3,292
Public children services	3,292
Workforce investment act	<u>3,292</u>
Total depreciation expense	<u>\$ 9,876</u>

The Department received vehicles from Defiance County and Paulding County during the year. They were recorded at their fair market value on the date donated.

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, 2014 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

Settled claims related to the Department have not exceeded the commercial insurance coverage in any of the last two fiscal periods.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 7 - RISK MANAGEMENT (Continued)

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, 2014 is estimated by a third party administrator at \$265,955, which includes all outstanding claims made by the Department's employees.

As of December 31, 2014, the Department separately offered and paid for vision insurance for its employees through Vision Service Plan (VSP).

C. Workers' Compensation

Through Defiance County, the Department is subject to participation in the County Commissioners Association Service Corporation (Plan), a workers' compensation insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's Executive Committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's Executive Committee then collects rate contributions from, or pays rate equalization rebates to, the various participants.

Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, Defiance County pays an enrollment fee to the Plan to cover the costs of administering the program.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 8 - PENSION PLANS (Continued)

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 2014, member and employer 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 2014 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00%, respectively. The Department's contribution rate through Defiance County for 2014 was 14.00%.

The Department's required contributions for the pension obligations to OPERS for the fiscal periods ended December 31, 2014 and 2013 were \$232,396 and \$52,021, respectively, which were equal to the required contributions for those periods.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFIT PLANS (Continued)

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 2014, 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 and Combined Plan for 2014 was 2.00%.

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 periods ended December 31, 2014 and 2013 were \$38,733 and \$8,670, respectively.

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 4.00% of the employer contributions toward the health care fund after the end of the transition period.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS

The Department's long-term obligations activity as of December 31, 2014 was as follows:

	Balance			Balance	Amounts
	January 1, 2014	Additions	Reductions	December 31, 2014	Due in
					One Year
Governmental activities:					
Capital lease obligations	\$ 40,239		\$ (7,128)	\$ 33,111	\$ 7,669
Compensated absences	<u>271,705</u>	\$ 435,542	<u>(199,248)</u>	<u>507,999</u>	<u>251,753</u>
Total governmental activities long-term obligations	<u>\$ 311,944</u>	<u>\$ 435,542</u>	<u>\$ (206,376)</u>	<u>\$ 541,110</u>	<u>\$ 259,422</u>

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

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

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of copier equipment have been capitalized in the amount of \$40,239. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2014 for this equipment was \$12,072, leaving a current book value of \$28,167. A corresponding liability is recorded on the government-wide financial statements. Principal and interest payments made during 2014 from the Public Assistance Fund totaled \$7,128 and \$2,022, respectively.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of December 31, 2014:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 9,151
2016	9,150
2017	9,151
2018	<u>9,150</u>
Total minimum lease payments	36,602
Less: amount representing interest	<u>(3,491)</u>
Total	<u>\$ 33,111</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 12 - OPERATING LEASES

During 2014, the Department entered into operating lease agreements for office space at the following four locations: Evergreen Lane Office Complex, 315 West Harrison Street, 252 Dooley Drive, and Defiance County Workforce Development Office.

During the period of January 1, 2014 through July 2, 2014, the Department leased office space at Evergreen Lane Office Complex for \$4,534 per month. During the period of July 3, 2014 through December 31, 2014, the lease payments for the office space at this location were reduced to \$4,344 per month.

During the period of January 1, 2014 through September 30, 2014, the Department leased office space at 315 West Harrison Street for \$475 per month.

During the period of October 1, 2014 through December 31, 2014, the Department leased office space at 252 Dooley Drive for \$2,413 per month.

During the period of January 1, 2014 through December 31, 2014, 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, 2014, 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	\$ 47,235
Public Assistance Fund	Workforce Investment Act Fund	<u>198,278</u>
Total		<u>\$245,513</u>

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

NOTE 14 - CONTINGENT LIABILITIES

A. Grants

During 2014, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 14 - CONTINGENT LIABILITIES (Continued)

B. Litigation

The Department is not currently party to any legal proceedings.

NOTE 15 – FUND BALANCE

At December 31, 2014 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	\$2,951	\$2,951	\$2,950	\$8,852
Prepayments	7,411			7,411
Total Committed	<u>10,362</u>	<u>2,951</u>	<u>2,950</u>	<u>16,263</u>
Restricted:				
Public Assistance	532,468			532,468
Children Services		467,391		467,391
Total Restricted	<u>532,468</u>	<u>467,391</u>		<u>999,859</u>
Unassigned			(53,077)	(53,077)
Total Fund Balance	<u>\$542,830</u>	<u>\$470,342</u>	<u>\$(50,127)</u>	<u>\$963,045</u>

**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 YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 2,879,137	\$ 2,879,137	\$ 2,674,109	\$ (205,028)
Reimbursements and other	460,610	749,483	143,616	(605,867)
Total revenues	<u>3,339,747</u>	<u>3,628,620</u>	<u>2,817,725</u>	<u>(810,895)</u>
Expenditures:				
Current:				
Public assistance	<u>3,294,747</u>	<u>3,432,163</u>	<u>3,259,249</u>	<u>172,914</u>
Total expenditures	<u>3,294,747</u>	<u>3,432,163</u>	<u>3,259,249</u>	<u>172,914</u>
 Net change in fund balance	 45,000	 196,457	 (441,524)	 (637,981)
 Fund balance at beginning of year	 491,406	 491,406	 491,406	
Prior year encumbrances appropriated	<u>3,542</u>	<u>3,542</u>	<u>3,542</u>	
Fund balance at end of year	<u>\$ 539,948</u>	<u>\$ 691,405</u>	<u>\$ 53,424</u>	<u>\$ (637,981)</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 YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 625,800	\$ 675,712	\$ 731,097	\$ 55,385
Contributions and donations	1,500	1,500	856	(644)
Reimbursements and other	1,098,469	1,098,469	268,787	(829,682)
Total revenues	<u>1,725,769</u>	<u>1,775,681</u>	<u>1,000,740</u>	<u>(774,941)</u>
Expenditures:				
Current:				
Public children services	1,515,769	1,565,681	1,233,026	332,655
Total expenditures	<u>1,515,769</u>	<u>1,565,681</u>	<u>1,233,026</u>	<u>332,655</u>
 Net change in fund balance	 210,000	 210,000	 (232,286)	 (442,286)
 Fund balance at beginning of year	 343,375	 343,375	 343,375	
Prior year encumbrances appropriated	<u>41,165</u>	<u>41,165</u>	<u>41,165</u>	
Fund balance at end of year	<u>\$ 594,540</u>	<u>\$ 594,540</u>	<u>\$ 152,254</u>	<u>\$ (442,286)</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 YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 606,814	\$ 616,814	\$ 182,770	\$ (434,044)
Total revenues	<u>606,814</u>	<u>616,814</u>	<u>182,770</u>	<u>(434,044)</u>
Expenditures:				
Current:				
Workforce investment act	606,814	606,814	197,866	408,948
Total expenditures	<u>606,814</u>	<u>606,814</u>	<u>197,866</u>	<u>408,948</u>
 Net change in fund balance		10,000	(15,096)	(25,096)
 Fund balance at beginning of year	137,525	137,525	137,525	
Prior year encumbrances appropriated	10,808	10,808	10,808	
Fund balance at end of year	<u>\$ 148,333</u>	<u>\$ 158,333</u>	<u>\$ 133,237</u>	<u>\$ (25,096)</u>

SEE ACCOMPANYING NOTES TO SUPPLEMENTAL INFORMATION

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

**NOTES TO SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

The budgetary schedules are presented on a budgetary basis of accounting, as opposed to a GAAP basis of accounting. The following table summarizes the adjustments necessary to reconcile the budgetary basis with the GAAP basis for the Public Assistance Fund, Public Children Services Fund, and Workforce Investment Act Fund:

Net Change in Fund Balance

	Public <u>Assistance</u>	Public Children <u>Services</u>	Workforce Investment <u>Act</u>
Budgetary basis	\$ (441,524)	\$ (232,286)	\$ (15,096)
Net adjustment for revenue accruals	290,288	328,258	20,000
Net adjustment for expenditure accruals	272,967	5,254	(195,931)
Adjustment for encumbrances	<u>13,075</u>	<u>71,089</u>	<u> </u>
GAAP basis	<u>\$ 134,806</u>	<u>\$ 172,315</u>	<u>\$ (191,027)</u>

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014**

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	\$402,469
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	22,141
Temporary Assistance for Needy Families	G-1415-11-5254	93.558	375,957
Child Care and Development Block Grant	G-1415-11-5254	93.575	60,066
Child Abuse and Neglect Grant	G-1415-11-5254	93.590	2,870
Child Welfare Services State Grants	G-1415-11-5254	93.645	45,101
Social Services Block Grant	G-1415-11-5254	93.667	536,953
Chaffee Foster Care Independence Program	G-1415-11-5254	93.674	998
Medical Assistance Program	G-1415-11-5254	93.778	535,047
Foster Care Title IV-E	G-1415-11-5254	93.658	246,048
Foster Care Title IV-E Administration	G-1415-11-5254	93.658	56,490
Total Foster Care Title IV-E			<u>302,538</u>
Adoption Assistance Administration	G-1415-11-5254	93.659	170,940
Total U.S. Department of Health and Human Services			<u>2,052,611</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	84,521
Workforce Investment Act - Adult Administration	G-1415-11-5254	17.258	3,414
Workforce Investment Act - OMJ Branding	G-1415-11-5254	17.258	13,477
Total Workforce Investment Act - Adult			<u>101,412</u>
Workforce Investment Act - Youth	G-1415-11-5254	17.259	86,986
Workforce Investment Act - Dislocated Worker	G-1415-11-5254	17.278	4,223
Total Workforce Investment Act Cluster			<u>192,621</u>
Total Federal Awards Expenditures			<u><u>\$2,647,701</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 YEAR ENDED DECEMBER 31, 2014**

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' 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 year ended December 31, 2014, 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.

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 a material weakness and significant deficiencies.

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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-002 and 2014-003 described in the accompanying schedule of findings to be significant deficiencies.

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*.

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's (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 year ended December 31, 2014. 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 Foster Care Title IV-E, Social Services Block, and Medicaid Grants

As described in findings 2014-004 and 2014-005 in the accompanying schedule of findings, the Department did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-004	93.658, 93.667 and 93.778	Foster Care Title IV-E and Social Services Block Grant and Medicaid	Reporting
2014-005	93.667	Social Services Block Grant	Reporting

Compliance with these requirements is necessary, in our opinion, for the Department to comply with requirements applicable to these programs.

Qualified Opinion on Foster Care Title IV-E, Social Services Block, and Medicaid Grants

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Foster Care Title IV-E, Social Services Block, and Medicaid Grants* 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 *Foster Care Title IV-E, Social Services Block and Medicaid Grants* for the year ended December 31, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, 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 other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended December 31, 2014.

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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2014-004 and 2014-005 to be material weaknesses.

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

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, 2014**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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)?	Yes
(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: State Administrative Matching Grants for the Supplemental Assistance Program – CFDA #10.561 Qualified: Foster Care – CFDA #93.658 Social Services Block Grant – CFDA #93.667 Medical Assistance program – CFDA #93.778
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	State Administrative Matching Grants for the Supplemental Assistance Program – CFDA #10.561 Foster Care – CFDA #93.658 Social Services Block Grant – CFDA #93.667 Medical Assistance program – CFDA #93.778

<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

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:

- Due from Other Governments and intergovernmental revenue were understated by \$251,089 in the Public Children Services Assistance Fund in 2014.
- Encumbrances of \$71,089 were not recorded in the Public Children Services Assistance Fund at December 31, 2014 which resulted in an understatement of expenditures on the budgetary schedule.
- Final appropriations on the budgetary schedule for the Work Force Investment Act Fund were overstated by \$10,000 for 2014.

Adjusting entries were posted to the financial statements and the Department's financial records to correct these and five 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:

Fiscal Officer has spoken with the Defiance County Auditor to get clarification on how revenues should be adjusted and using proper procedures. The Fiscal Officer will be working with fiscal specialist to make sure encumbrances are recorded correctly. Implementation of internal calendar control will allow more time to verify all information more closely. Policy and procedures will be created and submitted to the Board.

FINDING NUMBER 2014-002

Significant Deficiency - 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 maintained no perpetual materials and supplies inventory record, nor was an inventory count taken at December 31, 2014. The material and supplies inventory amount reported on the December 31, 2014 balance sheet was actually the inventory valuation from the materials and supplies inventory count taken on September 30, 2014.

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:

Annual inventory will be taken each December. Going forward the Department will take inventory at calendar year end using the FIFO method which follows the Defiance County Auditor policy.

FINDING NUMBER 2014-003

Significant Deficiency

Defiance County (fiscal agent) requires the Department to budget all funds.

At December 31, 2014, the legally adopted appropriations varied with the amounts posted to the accounting system by the following amounts in the following funds:

Fund	Approved Appropriations	Posted Appropriations	Difference
Public Assistance Fund	\$3,432,163	\$3,632,163	\$200,000
Workforce Investment Act Fund	606,814	616,814	10,000

These errors were not identified and corrected prior to the audit due to deficiencies in the Department's financial statement monitoring. Failure to obtain Board of Commissioners' approval for all amendments could result in expenditures being made that are not within the intentions of the Board of Commissioners and could result in deficit spending. The accompanying budgetary schedules and the Department's financial records have been corrected to reflect the approved amounts.

The Department should develop policies and implement procedures to assure that all appropriation amendments are properly approved by the Board of Commissioners prior to being posted to the accounting system and submitted to the County Budget Commission. We further recommend the Board of Commissioners review the posted budgetary amounts periodically to ensure they match the amounts approved by the Board of Commissioners.

Officials' Response:

The Department is creating a policy and will submit it to the Board at the December Board meeting. This policy will assure the appropriation amendments are properly approved by the Board. The Fiscal Officer and Director have already met with the Defiance County Auditor and determined how this procedure will work for the Auditor to process.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2014-004
CFDA Title and Number	Foster Care Title IV-E, CFDA 93.658 and Social Services Block Grant, CFDA 93.667 Medicaid, CFDA 93.778
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 92.41 (a)(1)(I), (2), and (b)(3) except as provided in paragraphs (a) (2) and (5) of this section, grantees will use only the forms specified in paragraphs (a) through (e) of this section, and such supplementary or other forms as may from time to time be authorized by OMB, for submitting financial reports to Federal agencies. Grantees need not apply the forms prescribed in this section in dealing with their subgrantees. However, grantees shall not impose more burdensome requirements on subgrantees. The Federal agency may prescribe the frequency of the report for each project or program. However, the report will not be required more frequently than quarterly.

Ohio Admin. Code § 5101:9-7-29 requires each county Public Children Services Agency to submit a JFS 02820 report and a JFS 02827 report every quarter. The Public Chapter Services Agency shall submit the completed quarterly financial statement no later than the tenth calendar day of the second month following the quarter the report represents.

The Department lacked a policy regarding report preparation, review, and submission which contributed to the Department not submitting the July through September 2014 quarterly JFS 02820 and JFS 02827 reports until November 13, 2014. This is three days after the required November 10, 2014 submission date.

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

Officials' Response:

See Corrective Action Plan for Officials' response.

Finding Number	2014-005
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 quarterly JFS 04282 reports for the Paulding Office in 2014. 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, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-004	The JFS 02820 is no longer used and submitted to the state. When the state changed to CFIS the Department no longer had to submit reports via fax or email. Instead the Department now does this electronically through CFIS and report CR449. This shows that everything was submitted timely. The Department has also added this to the internal calendar control.	September 23, 2015	Cindy Thatcher
2014-005	The JFS 02827 is no longer used and submitted to the state. When the state changed to CFIS the Department no longer had to submit reports via fax or email. Instead the Department now does this electronically through CFIS and report CR449. This shows that everything was submitted timely. The Department has also added this to the internal calendar control.	September 23, 2015	Cindy Thatcher
2014-006	The JFS 04282 report due date has been added to the internal calendar control which will provided a reminder of time for preparation and due date so the Department does not miss another report date.	September 23, 2015	Cindy Thatcher

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material weakness due to errors in financial reporting.	No	Not corrected. Reissued as Finding 2014-001 in this report.
2013-002	Material weakness due to no December 31, 2013 inventory being taken.	No	Not corrected. Reissued as Finding 2014-002 in this report.
2013-003	OJFS Administrative Procedure Manual § 5501 due to a lack of preparing and submitting 04282 report.	No	Not corrected. Reissued as Finding 2014-005 in this report.



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**