



Dave Yost • Auditor of State

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

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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, each major fund, and the aggregate remaining fund information 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, 2015, 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, each major fund, and the aggregate remaining fund information of the Defiance-Paulding Department of Job and Family Services, Defiance County, Ohio, as of December 31, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016, 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 County's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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, 2015. 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 2015 are as follows:

- The total net position reported by the Department decreased \$321,116 from a deficit of \$716,621 to a deficit of \$1,037,737.
- General revenues accounted for \$792,912 or 15.81% of total governmental activities revenue. Program specific revenues accounted for \$4,223,422 or 84.19% of total governmental activities revenue.
- The Department had \$5,337,450 in expenses related to governmental activities. These expenses were partially offset by general revenues (reimbursements and other revenues) of \$792,912 and program specific revenues (operating grants and contributions) of \$4,223,422.
- 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 \$3,068,503 and expenditures of \$2,746,838 during 2015. The net increase in fund balance for the Public Assistance Fund was \$321,665 or 59.26%.
- The Public Children Services Fund had revenues of \$1,493,832 and expenditures of \$2,401,949 during 2015. The net decrease in fund balance for the Public Children Services Fund was \$908,117 or 193.08%.
- The Workforce Investment Act Fund had revenues of \$474,003 and expenditures of \$331,287 during 2015. The net increase in fund balance for the Workforce Investment Act Fund was \$142,716 or 284.71% .

Using this Annual Report

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

The statement of net position and statement of activities provide information about the activities of the whole Department, presenting both an aggregate view of the Department's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Department's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Department, the Public Assistance Fund, the Public Children Services Fund, and the Workforce Investment Act Fund are reported as major funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

Reporting the JFS 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 2015?" 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.

Required Supplementary Information

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

Government-wide Financial Analysis

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

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

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

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

As a result of implementing GASB 68, the Department is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$589,848 to a deficit of \$716,621.

	Governmental Activities	
	2015	Restated 2014
<u>Assets</u>		
Current assets	\$ 902,756	\$ 1,321,318
Capital assets, net	40,233	51,938
Total assets	942,989	1,373,256
<u>Deferred outflows of resources</u>		
Pension	305,620	212,858
<u>Liabilities</u>		
Current liabilities	287,476	242,298
Long-term liabilities:		
Due within one year	417,125	541,110
Net pension liability	1,554,437	1,519,327
Total liabilities	2,259,038	2,302,735
<u>Deferred inflows of resources</u>		
Pension	27,308	-
<u>Net Position</u>		
Net investment in capital assets	14,791	18,827
Restricted	126,528	571,021
Unrestricted (deficit)	(1,179,056)	(1,306,469)
Total net position (deficit)	\$ (1,037,737)	\$ (716,621)

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the Department's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$1,037,737.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

At December 31, 2015, capital assets represented 4.27% of total assets. Capital assets include machinery and equipment and vehicles. The Department's net investment in capital assets at December 31, 2015 was \$14,791. 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.

The table below provides a summary of the Department's changes in net position for 2015 and 2014.

	Change in Net Position	
	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 4,223,422	\$ 4,197,167
Total program revenues	<u>4,223,422</u>	<u>4,197,167</u>
General revenues:		
Reimbursements and other	<u>792,912</u>	<u>330,235</u>
Total general revenues	<u>792,912</u>	<u>330,235</u>
Program expenses:		
Public assistance	2,594,929	3,178,044
Public children services	2,405,851	1,159,975
Workforce investment act	335,188	397,089
Interest and fiscal charges	<u>1,482</u>	<u>2,022</u>
Total program expenses	<u>5,337,450</u>	<u>4,737,130</u>
Change in net position	(321,116)	(209,728)
Net position at beginning of year	<u>(716,621)</u>	<u>N/A</u>
Net position at end of year	<u>\$ (1,037,737)</u>	<u>\$ (716,621)</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 \$4,223,422 during the year.

The most significant program expenses for the Department are related to public assistance. These expenses totaled \$2,594,929 during the year, representing 48.62% of total governmental activities expenses. The decrease in public assistance expenses was primarily related to modified and full accrual adjustments for payables and compensated absences despite cash basis expenditures increasing. The increase in public children services expenses was attributed to an increase in boarding and other associated service costs for treating children with drug addictions. In addition, the Department received an Efficiency and Innovative grant which allowed for the purchase of I-pads, a scanner, and related software for the Children Services.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

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 2015 and 2014. That is, it identifies the cost of these services supported by general revenues.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Program expenses:				
Public assistance	\$ 2,594,929	\$ (264,429)	\$ 3,178,044	\$ 273,470
Public children services	2,405,851	1,433,754	1,159,975	96,425
Workforce investment act	335,188	(56,779)	397,089	168,046
Interest and fiscal charges	<u>1,482</u>	<u>1,482</u>	<u>2,022</u>	<u>2,022</u>
Total	<u>\$ 5,337,450</u>	<u>\$ 1,114,028</u>	<u>\$ 4,737,130</u>	<u>\$ 539,963</u>

The dependence upon program specific revenues for governmental activities is apparent, with 79.13% of expenses supported through operating grants and contributions.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$212,858 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$190,942. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	<u>Governmental Activities</u>
Total 2015 program expenses under GASB 68	\$ 5,337,450
Pension expense under GASB 68	(190,942)
2015 contractually required contributions	<u>221,286</u>
Adjusted 2015 program expenses	5,367,794
Total 2014 program expenses under GASB 27	<u>4,737,130</u>
Increase in program expenses not related to pension	<u>\$ 630,664</u>

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 \$519,309, which is \$443,736 less than last year's total of \$963,045. The table below indicates the fund balances and the total change in fund balances as of December 31, 2015 and December 31, 2014 for the governmental funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

	Fund Balances (Deficit) <u>December 31, 2015</u>	Fund Balances <u>December 31, 2014</u>	Increase (Decrease)	Percentage Change
Major funds:				
Public Assistance	\$ 864,495	\$ 542,830	\$ 321,665	59.26 %
Public Children Services	(437,775)	470,342	(908,117)	(193.08) %
Workforce Investment Act	<u>92,589</u>	<u>(50,127)</u>	<u>142,716</u>	284.71 %
Total	<u>\$ 519,309</u>	<u>\$ 963,045</u>	<u>\$ (443,736)</u>	(46.08) %

The Public Assistance Fund had intergovernmental grants and entitlements totaling \$2,859,358 during the year. This revenue source, in addition to reimbursements and other revenues of \$209,145, was sufficient to cover the Public Assistance Fund expenditures of \$2,746,838, resulting in an increase in fund balance during 2015.

The Public Children Services Fund received intergovernmental revenue of \$908,805, contributions and donations of \$1,925, and reimbursements and other revenues of \$583,102 during the year. These revenue sources were not adequate to provide for the Public Children Services Fund expenditures of \$2,401,949 incurred during the year.

The Workforce Investment Act Fund reported total revenues of \$474,003 and total expenditures of \$331,287, resulting in an increase in fund balance of \$142,716 from a deficit of \$50,127 to a balance of \$92,589.

Budgeting Highlights

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

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

In the Public Assistance Fund, the original budgeted revenues were \$4,176,747, which were increased in the final budget to \$4,449,595. Actual revenues of \$3,619,796 were \$829,799 less than the final budgeted revenues. The original budgeted expenditures were \$4,189,822, which were increased in the final budget to \$4,458,670. Actual expenditures of \$3,565,168 were \$893,502 less than the final budgeted expenditures.

In the Public Children Services Fund, the original budgeted revenues were \$1,407,917, which were increased in the final budget to \$1,784,917. Actual revenues of \$1,790,843 were \$5,926 more than the final budgeted revenues. The original budgeted expenditures were \$1,372,089, which were increased in the final budget to \$2,006,006. Actual expenditures of \$1,847,050 were \$158,956 less than the final budgeted expenditures.

In the Workforce Investment Act Fund, the original budgeted revenues were \$577,000, which were increased in the final budget to \$705,907. Actual revenues of \$471,181 were \$234,726 less than the final budgeted revenues. The original budgeted expenditures were \$541,500, which were increased in the final budget to \$670,407. Actual expenditures of \$457,814 were \$212,593 less than the final budgeted expenditures.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

At December 31, 2015, the Department had \$40,233 (net of accumulated depreciation) invested in machinery and equipment and vehicles. The following table shows December 31, 2015 and December 31, 2014 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, 2015</u>	<u>December 31, 2014</u>
Capital assets:		
Machinery and equipment	\$ 20,119	\$ 28,167
Vehicles	<u>20,114</u>	<u>23,771</u>
Total	<u>\$ 40,233</u>	<u>\$ 51,938</u>

Debt Administration

The Department had the following long-term obligations outstanding at December 31, 2015 and December 31, 2014. See Note 10 to the basic financial statements for additional debt administration disclosures.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Capital lease obligations	\$ 25,442	\$ 33,111
Compensated absences	391,683	507,999
Net Pension Liability	<u>1,554,437</u>	<u>1,519,327</u>
Total	<u>\$ 1,971,562</u>	<u>\$ 2,060,437</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 Job and Family Services, 6879 Evansport Road, Defiance, Ohio 43512-6766.

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

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities
Assets:	
Cash with fiscal agent	\$ 624,136
Receivables:	
Accounts	2,018
Due from other governments	259,985
Materials and supplies inventory	9,447
Prepayments	7,170
Capital assets:	
Depreciable capital assets, net.	40,233
Total assets	942,989
Deferred outflows of resources:	
Pension - OPERS.	305,620
Total assets and deferred outflows of resources	1,248,609
Liabilities:	
Accounts payable	212,174
Accrued wages and benefits payable	34,487
Due to other governments	40,815
Long-term liabilities:	
Due within one year	278,369
Due in more than one year	138,756
Net Pension Liability.	1,554,437
Total liabilities	2,259,038
Deferred inflows of resources:	
Pension - OPERS.	27,308
Total liabilities and deferred inflows of resources.	2,286,346
Net position:	
Net investment in capital assets.	14,791
Restricted for:	
Job and family services	126,528
Unrestricted (deficit)	(1,179,056)
Total net position (deficit).	\$ (1,037,737)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:			
Public assistance	\$ 2,594,929	\$ 2,859,358	\$ 264,429
Public children services	2,405,851	972,097	(1,433,754)
Workforce investment act	335,188	391,967	56,779
Interest and fiscal charges.	1,482	-	(1,482)
Totals	\$ 5,337,450	\$ 4,223,422	(1,114,028)
General revenues:			
Reimbursements and other			792,912
Change in net position			(321,116)
Net position (deficit) at beginning of year (restated).			(716,621)
Net position (deficit) at end of year.			\$ (1,037,737)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>Public Assistance</u>	<u>Public Children Services</u>	<u>Workforce Investment Act</u>	<u>Total Governmental Funds</u>
Assets:				
Cash with fiscal agent	\$ 121,127	\$ 342,179	\$ 160,830	\$ 624,136
Receivables:				
Accounts	21	1,997	-	2,018
Due from other governments	63,316	139,908	56,761	259,985
Due from other funds	788,695	-	-	788,695
Materials and supplies inventory	3,149	3,149	3,149	9,447
Prepayments	7,170	-	-	7,170
Total assets	<u>\$ 983,478</u>	<u>\$ 487,233</u>	<u>\$ 220,740</u>	<u>\$ 1,691,451</u>
Liabilities:				
Accounts payable	\$ 43,681	\$ 160,567	\$ 7,926	\$ 212,174
Accrued wages and benefits payable	34,487	-	-	34,487
Due to other governments	40,815	-	-	40,815
Due to other funds	-	702,409	86,286	788,695
Total liabilities	<u>118,983</u>	<u>862,976</u>	<u>94,212</u>	<u>1,076,171</u>
Deferred inflows of resources:				
Miscellaneous revenue not available	-	665	-	665
Intergovernmental revenue not available	-	61,367	33,939	95,306
Total deferred inflows of resources	<u>-</u>	<u>62,032</u>	<u>33,939</u>	<u>95,971</u>
Fund balances:				
Nonspendable	10,319	3,149	3,149	16,617
Restricted	854,176	-	89,440	943,616
Unassigned (deficit)	<u>-</u>	<u>(440,924)</u>	<u>-</u>	<u>(440,924)</u>
Total fund balances (deficit)	<u>864,495</u>	<u>(437,775)</u>	<u>92,589</u>	<u>519,309</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 983,478</u>	<u>\$ 487,233</u>	<u>\$ 220,740</u>	<u>\$ 1,691,451</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances	\$	519,309
<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.		40,233
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	\$ 95,306	
Accounts receivable	665	
Total	95,971	95,971
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	305,620	
Deferred inflows of resources	(27,308)	
Net pension liability	(1,554,437)	
Total	(1,276,125)	(1,276,125)
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	(25,442)	
Compensated absences	(391,683)	
Total	(417,125)	(417,125)
Net position (deficit) of governmental activities	\$	(1,037,737)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Public Assistance</u>	<u>Public Children Services</u>	<u>Workforce Investment Act</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Intergovernmental	\$ 2,859,358	\$ 908,805	\$ 474,003	\$ 4,242,166
Contributions and donations	-	1,925	-	1,925
Reimbursements and other	209,145	583,102	-	792,247
Total revenues	<u>3,068,503</u>	<u>1,493,832</u>	<u>474,003</u>	<u>5,036,338</u>
Expenditures:				
Current:				
Public assistance	2,737,687	-	-	2,737,687
Public children services	-	2,401,949	-	2,401,949
Workforce investment act	-	-	331,287	331,287
Debt service:				
Principal retirement	7,669	-	-	7,669
Interest and fiscal charges	1,482	-	-	1,482
Total expenditures	<u>2,746,838</u>	<u>2,401,949</u>	<u>331,287</u>	<u>5,480,074</u>
Net change in fund balances	321,665	(908,117)	142,716	(443,736)
Fund balances (deficit) at beginning of year	542,830	470,342	(50,127)	963,045
Fund balances (deficit) at end of year	<u>\$ 864,495</u>	<u>\$ (437,775)</u>	<u>\$ 92,589</u>	<u>\$ 519,309</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds	\$	(443,736)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Current year depreciation		(11,705)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental revenue	\$ (20,669)	
Reimbursements and other revenue	665	
Total		(20,004)
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.		
		7,669
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		221,286
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(190,942)
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.		
		116,316
Change in net position of governmental activities	\$	(321,116)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

B. Basis of Presentation

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the Department as a whole. These statements include the financial activities of the primary government.

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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 U.S. Department of Labor to strengthen the local workforce by providing training services to employed adults, youth, and dislocated workers.

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

D. Measurement Focus

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources – In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Department, deferred outflows of resources have been reported for the following items related to the Department’s net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the Department’s contributions to the pension systems subsequent to the measurement date and (3) differences between employer’s contributions and the employer’s proportional share of contributions.

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

The Department also reports deferred inflow of resources for the following items related to the Department’s net pension liability: (1) differences between expected and actual experience and (2) differences between employer’s contributions and the employer’s proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

F. Cash with Fiscal Agent

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

G. Materials and Supplies Inventory

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

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

H. Prepayments

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

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

M. Fund Balance (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action of the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless that authority removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Department for specific purposes, but do not meet the criteria to be classified as restricted nor committed.

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

The Department applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

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

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

O. Estimates

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

P. Extraordinary and Special Items

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

Q. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For 2015, the Department implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Department's pension plan disclosures, as presented in Note 8 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at January 1, 2015 have been restated as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

	Governmental Activities
Net position as previously reported	\$ 589,848
Deferred outflows - payments subsequent to measurement date	212,858
Net pension liability	(1,519,327)
Restated net position (deficit) at January 1, 2015	\$ (716,621)

Other than employer contributions subsequent to the measurement date, the Department made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

B. Deficit Fund Balance

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

Major governmental fund	Deficit
Public Children Services Fund	\$ 437,775

The deficit fund balance results from adjustments for accrued liabilities.

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 \$624,136, 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, 2015 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	\$ 63,316
Public Children Services	139,908
Workforce Investment Act	56,761
Total	\$ 259,985

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DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
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NOTE 6 - CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>Balance</u> <u>January 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31, 2015</u>
<i>Capital assets, being depreciated:</i>				
Machinery and equipment	\$ 40,239	\$ -	\$ -	\$ 40,239
Vehicles	<u>25,599</u>	<u>-</u>	<u>-</u>	<u>25,599</u>
Total capital assets, being depreciated	<u>65,838</u>	<u>-</u>	<u>-</u>	<u>65,838</u>
<i>Less: accumulated depreciation:</i>				
Machinery and equipment	(8,048)	(12,072)	-	(20,120)
Vehicles	<u>(5,852)</u>	<u>367</u>	<u>-</u>	<u>(5,485)</u>
Total accumulated depreciation	<u>(13,900)</u>	<u>(11,705)</u>	<u>-</u>	<u>(25,605)</u>
Total capital assets, being depreciated, net	<u>51,938</u>	<u>(11,705)</u>	<u>-</u>	<u>40,233</u>
Governmental activities capital assets, net	<u>\$ 51,938</u>	<u>\$ (11,705)</u>	<u>\$ -</u>	<u>\$ 40,233</u>

Depreciation expense was charged to governmental activities as follows:

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

NOTE 7 - RISK MANAGEMENT

A. General Liability

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department attained insurance coverage for these risks through a contract with the County Risk Sharing Authority (CORSA). The December 31, 2015 insurance coverage limits are as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 - RISK MANAGEMENT - (Continued)

Property	\$4,370,972
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 three years.

B. Health Benefits

The DPCDJFS, 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 claim payments by charging a monthly premium to each individual enrolled in the health insurance program. These premiums, along with the premium Defiance County pays for each employee enrolled in the program, are paid into this internal service fund, and claims are then paid out as necessary.

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

Defiance County reports claims payable, which is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues". This Statement requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred as 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, 2015 is estimated by a third party administrator at \$256,617, which includes all outstanding claims made by the DPCDJFS' employees.

As of December 31, 2015, the Department separately offered and paid for vision insurance for its employees through Vision Service Plan (VSP).

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
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NOTE 7 - RISK MANAGEMENT - (Continued)

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 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
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NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers.

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

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - Department employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Department employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

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

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS' Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections.

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local	
2015 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2015 Actual Contribution Rates		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	%
Total Employer	14.0	%
Employee	10.0	%

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

The Department's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$221,286 for 2015. Of this amount, \$24,316 is reported as pension and postemployment benefits payable.

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

The net pension liability for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability was based on the Department's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	
Proportionate share of the net pension liability	\$ 1,554,437	
Proportion of the net pension liability	0.01288800%	
Pension expense	\$ 190,942	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred outflows of resources	
Net difference between projected and actual earnings on pension plan investments	\$ 82,940
Difference between employer contributions and proportionate share of contributions	1,394
Department contributions subsequent to the measurement date	221,286
Total deferred outflows of resources	\$ 305,620
Deferred inflows of resources	
Differences between expected and actual experience	\$ 27,308
Total deferred inflows of resources	\$ 27,308

\$221,286 reported as deferred outflows of resources related to pension resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2016	\$ 8,778
2017	8,778
2018	18,735
2019	20,735
Total	\$ 57,026

Actuarial Assumptions - OPERS

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

The most recent experience study was completed for the five year period ended December 31, 2010. The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

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NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target		Weighted Average Long-Term Expected Real Rate of Return	
	Allocation		(Arithmetic)	
Fixed income	23.00	%	2.31	%
Domestic equities	19.90		5.84	
Real estate	10.00		4.25	
Private equity	10.00		9.25	
International equities	19.10		7.40	
Other investments	18.00		4.59	
Total	100.00	%	5.28	%

Discount Rate - The discount rate used to measure the total pension liability was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Current		
	1% Decrease	Discount Rate	1% Increase
	(7.00%)	(8.00%)	(9.00%)
Department's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 2,859,178	\$ 1,554,437	\$ 455,075

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 9 - POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare 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 post-employment health care coverage.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015 local government employers contributed 14.00% of covered payroll. 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 post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 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 post-employment healthcare plan.

The Department's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$36,881, \$38,733, and \$8,670, respectively; 90.58% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS

The Department's long-term obligations activity as of December 31, 2015 was as follows:

	Restated Balance			Balance	Amounts Due in
	<u>January 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2015</u>	<u>One Year</u>
Governmental activities:					
Capital lease obligations	\$ 33,111	\$ -	\$ (7,669)	\$ 25,442	\$ 8,061
Compensated absences	507,999	135,437	(251,753)	391,683	270,308
Net Pension Liability	<u>1,519,327</u>	<u>35,110</u>	<u>-</u>	<u>1,554,437</u>	<u>-</u>
Total governmental activities long-term obligations	<u>\$ 2,060,437</u>	<u>\$ 170,547</u>	<u>\$ (259,422)</u>	<u>\$ 1,971,562</u>	<u>\$ 278,369</u>

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

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

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

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of copier equipment have been capitalized in the amount of \$40,239. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 for this equipment was \$20,120, leaving a current book value of \$20,119.

A corresponding liability is recorded on the government-wide financial statements. Principal and interest payments made during 2015 from the public assistance fund totaled \$7,669 and \$1,482, 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, 2015:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 9,150
2017	9,151
2018	<u>9,150</u>
Total minimum lease payments	27,451
Less: amount representing interest	<u>(2,009)</u>
Total	<u>\$ 25,442</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 12 - OPERATING LEASES

During 2015, the JFS entered into operating lease agreements for office space at the following three locations: Evergreen Lane Office Complex, 252 Dooley Drive, and Defiance County Workforce Development Office.

During the period of January 1, 2015 through December 31, 2015, the JFS leased office space at Evergreen Lane Office Complex for \$4,344 per month.

During the period of January 1, 2015 through December 31, 2015, the JFS leased office space at 252 Dooley Drive for \$2,413 per month.

During the period of January 1, 2015 through December 31, 2015, the JFS 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, 2015, 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	\$ 702,409
Public Assistance Fund	Workforce Investment Act Fund	<u>86,286</u>
Total		<u>\$ 788,695</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 2015, the Department received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Department believes such disallowances, if any, would be immaterial.

B. Litigation

The Department is not currently party to any legal proceedings.

**DEFIANCE-PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 15 – FUND BALANCE

	Public Assistance Fund	Public Children Services Fund	Workforce Investment Act	Total Governmental Funds
Nonspendable:				
Materials and Supplies	\$ 3,149	\$ 3,149	\$ 3,149	\$ 9,447
Prepayments	7,170	-	-	7,170
Total Nonspendable	10,319	3,149	3,149	16,617
Restricted:				
Public Assistance	854,176	-	-	854,176
Children Services	-	-	-	-
Workforce Investment Act	-	-	89,440	89,440
Total Restricted	854,176	-	89,440	943,616
Unassigned		(440,924)		(440,924)
Total Fund Balance	\$ 864,495	\$ (437,775)	\$ 92,589	\$ 519,309

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC ASSISTANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 3,405,361	\$ 3,627,817	\$ 3,165,159	\$ (462,658)
Reimbursements and other	771,386	821,778	454,637	(367,141)
Total revenues	<u>4,176,747</u>	<u>4,449,595</u>	<u>3,619,796</u>	<u>(829,799)</u>
Expenditures:				
Current:				
Public assistance	<u>4,189,822</u>	<u>4,458,670</u>	<u>3,565,168</u>	<u>893,502</u>
Net change in fund balance	(13,075)	(9,075)	54,628	63,703
Fund balance at beginning of year	53,424	53,424	53,424	-
Prior year encumbrances appropriated	13,075	13,075	13,075	-
Fund balance at end of year	<u>\$ 53,424</u>	<u>\$ 57,424</u>	<u>\$ 121,127</u>	<u>\$ 63,703</u>

SEE ACCOMPANYING BUDGETARY NOTES

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC CHILDREN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 949,029	\$ 1,203,151	\$ 1,207,146	\$ 3,995
Contributions and donations	1,513	1,919	1,925	6
Reimbursements and other	457,375	579,847	581,772	1,925
Total revenues	<u>1,407,917</u>	<u>1,784,917</u>	<u>1,790,843</u>	<u>5,926</u>
Expenditures:				
Current:				
Public children services	<u>1,372,089</u>	<u>2,006,006</u>	<u>1,847,050</u>	<u>158,956</u>
Net change in fund balance	35,828	(221,089)	(56,207)	164,882
Fund balance at beginning of year	152,254	152,254	152,254	-
Prior year encumbrances appropriated	71,089	71,089	71,089	-
Fund balance at end of year	<u>\$ 259,171</u>	<u>\$ 2,254</u>	<u>\$ 167,136</u>	<u>\$ 164,882</u>

SEE ACCOMPANYING BUDGETARY NOTES

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WORKFORCE INVESTMENT ACT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 577,000	\$ 705,907	\$ 471,181	\$ (234,726)
Expenditures:				
Current:				
Workforce investment act	541,500	670,407	457,814	212,593
Net change in fund balance	35,500	35,500	13,367	(22,133)
Fund balance at beginning of year	133,237	133,237	133,237	-
Fund balance at end of year	\$ 168,737	\$ 168,737	\$ 146,604	\$ (22,133)

SEE ACCOMPANYING BUDGETARY NOTES

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

NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

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 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:

<u>Net Change in Fund Balance</u>			
		Public	Workforce
	Public	Children	Investment
	Assistance	Services	Act
Budgetary basis	\$ 54,628	\$ (56,207)	\$ 13,367
Net adjustment for revenue accruals	(551,293)	(297,011)	2,822
Net adjustment for expenditure accruals	818,330	(729,942)	112,301
Adjustment for encumbrances	-	175,043	14,226
GAAP basis	<u>\$ 321,665</u>	<u>\$ (908,117)</u>	<u>\$ 142,716</u>

DEFIANCE/PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE JFS CONTRIBUTIONS
 THE NET PENSION LIABILITY/NET PENSION ASSET
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

<i>Traditional Plan:</i>	<u>2014</u>	<u>2013</u>
Department's proportion of the net pension liability	0.012888%	0.012888%
Department's proportionate share of the net pension liability	\$ 1,554,437	\$ 1,519,327
Department's covered-employee payroll	\$ 1,773,817	\$ 400,162
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.63%	379.68%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

DEFIANCE/PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE JFS CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST THREE YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>			
Contractually required contribution	\$ 221,286	\$ 212,858	\$ 52,021
Department's proportion of the net pension Contributions in relation to the contractually required contribution	<u>(221,286)</u>	<u>(212,858)</u>	<u>(52,021)</u>
Department's proportionate share of the net Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered-employee payroll	\$ 1,844,050	\$ 1,773,817	\$ 400,162
Department's proportionate share of the net covered-employee payroll	12.00%	12.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

DEFIANCE/PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE OF THE JFS CONTRIBUTIONS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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DEFIANCE/PAULDING CONSOLIDATED JOB AND FAMILY SERVICES
DEFIANCE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Job and Family Services</i>				
State Administrative Matching Grants for the Supplemental Assistance Program	10.561	G-1415-11-5254 / G-1617-11-5604		\$ 322,139
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Job and Family Services</i>				
State Administrative Matching Grants for the Supplemental Assistance Program				
Promoting Safe and Stable Families	93.556	G-1415-11-5254 / G-1617-11-5604		30,454
Temporary Assistance for Needy Families	93.558	G-1415-11-5254 / G-1617-11-5604		791,150
Child Care and Development Block Grant	93.575	G-1415-11-5254 / G-1617-11-5604		40,245
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1415-11-5254 / G-1617-11-5604	\$ 47,302	49,340
Social Services Block Grant	93.667	G-1415-11-5254 / G-1617-11-5604		481,266
Chaffee Foster Care Independence Program	93.674	G-1415-11-5254 / G-1617-11-5604		1,595
Medical Assistance Program	93.778	G-1415-11-5254 / G-1617-11-5604		532,561
Foster Care Title IV-E	93.658	G-1415-11-5254 / G-1617-11-5604		306,533
Foster Care Title IV-E Administration and Training				76,302
Foster Care Title IV-E Contracts				30,893
Total Foster Care				<u>413,728</u>
Adoption Assistance Administration and Training	93.659	G-1415-11-5254 / G-1617-11-5604		154,719
Adoption Assistance Title IV-E Contracts	93.659	G-1415-11-5254 / G-1617-11-5604		51,801
Adoption Assistance Recurring Adoption	93.659	G-1415-11-5254 / G-1617-11-5604		373
Total Adoption Assistance				<u>206,893</u>
Total U.S. Department of Health and Human Services				<u>2,547,232</u>
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Montgomery County Workforce Investment Act Area 7</i>				
<i>Workforce Investment Act Cluster:</i>				
Workforce Investment Act - Adult Program	17.258	2014/2015-7120-1 / 2014/2015-7163-1		169,109
Workforce Investment Act - Adult Administration	17.258	2014/2015-7120-1 / 2014/2015-7163-1		2,668
Total Workforce Investment Act - Adult				<u>171,777</u>
Workforce Investment Act - Youth Activities	17.259	2014/2015-7120-1 / 2014/2015-7163-1	71,443	176,872
Workforce Investment Act - Youth Administration		2014/2015-7120-1 / 2014/2015-7163-1		719
				<u>177,591</u>
Workforce Investment Act - Dislocated Worker Formula Grants	17.278	2014/2015-7120-1 / 2014/2015-7163-1		83,658
Total Workforce Investment Act Cluster				<u>433,026</u>
Total Expenditures of Federal Awards				<u>\$ 3,302,397</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Defiance-Paulding Department of Job and Family Services, Defiance County (the Department's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position or changes in net position of the Department.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - SUBRECIPIENTS

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

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

NOTE D - MATCHING REQUIREMENTS

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



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

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, the business-type activities, each major fund, and the aggregate remaining fund information 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, 2015, 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 26, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2016



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

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

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio's (the Department) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Department's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Department's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Department's compliance for each of the Department's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Defiance-Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2016

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(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
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Temporary Assistance for Needy Families – CFDA #93.558 Medical Assistance Program – CFDA # 93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2015-001

Material Weakness – Financial Reporting

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

The Department's lack of a policy regarding financial review contributed to the following errors occurring without detection in 2015:

- Original and Final budgeted appropriations were understated by \$13,075 on the Public Assistance budgetary statement.
- Original budgeted appropriations and final budgeted appropriations were understated by \$71,089 and \$328,006, respectively, on the Public Children Services budgetary statement.
- Due to Other Funds in the Public Children Services Assistance Fund and Due From Other Funds in the Public Assistance Fund were understated by \$652,409.
- In the Public Children Services Assistance Fund, Restricted Fund Balance was overstated and "Unassigned Fund Balance" was understated by \$440,924.
- On the Entity-Wide Statements, Long-Term Liabilities - Due In More Than One Year and Public Assistance Expenditures were overstated by \$155,137.

Adjusting entries were posted to the Department's financial statements to correct these and other errors ranging from \$13,075 to \$652,409.

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

Officials' Response:

The Business Director will continue to work with the County Auditor's office to ensure budgetary information is properly reconciled between what is approved by the Board of Commissioners and what is posted to the County's fiscal ledgers for Defiance-Paulding Consolidated Department of Job and Family Services. Information presented to the compiler will include more detailed information to ensure proper posting to the GAAP financial statements.

3. FINDINGS FOR FEDERAL AWARDS

None

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness over financial reporting was reported for 2014 and 2013	Not corrected. Reissued as finding 2015-001.	This comment was reissued due to an inadvertent oversight in providing information to the compiler for interfund receivable / payables as well as budgetary information. The compensated absences adjustment was due to an inadvertent oversight on the compiler. The Business Administrator plans to reconcile approved appropriations to posted appropriations on a monthly basis and to provide the compiler with all the necessary budgetary information. The Business Administrator plans to provide updated system information to ensure future adjustments for interfunds are properly presented. The compiler will be informed of the compensated absences discrepancy.
2014-002	Significant deficiency in reporting materials and supplies inventory was reported for 2014 and 2013.	Corrective action taken and finding is fully corrected.	
2014-003	Significant deficiency due to posted appropriations exceeded approved appropriations.	Partially corrected. Reissued in the management letter.	This recommendation was partially corrected since there was only one fund affected instead of two as noted in the prior audit and variance was immaterial to the financial statements. This comment was reissued due to an inadvertent oversight on monitoring budgetary activity. The Business Administrator plans to reconcile approved appropriations to posted appropriations on a monthly basis.

Defiance-Paulding Consolidated Department of Job and Family Services
 Defiance County
 Summary Schedule of Prior Audit Findings
 Page 2

2014-004	45 CFR 92.41 (a)(1)(l), (2), (b)(3) and Ohio Admin Code § 5101:9-7-29 – JFS 02820 and JFS 02827 quarterly reports were not submitted on a timely basis.	Corrective Action Taken and Finding is Fully Corrected.	
2014-005	45 CFR 92.40 (b)(1), (4) – JFS 04282 quarterly reports were not submitted on a timely basis. This was reported for 2014 and 2013.	Partially Corrected.	The first quarter of 2015's 04282 quarterly report was not filed on time. The Business Administrator was not aware of the filing requirement until the last audit was completed. The Business Administrator corrected this problem by filing the other three quarterly reports on time.

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

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	We will ensure all approved budgetary related information is properly reconciled to what is posted in the fiscal ledgers and subsequently presented to the compiler. We will also ensure all system information for interfund receivables / payables are presented to the compiler as well.	12/31/16	Cynthia Thatcher, Business Administrator

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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 6, 2016**