



OHIO AUDITOR OF STATE
KEITH FABER



**DEFIANCE/PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES
DEFIANCE COUNTY
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Defiance/Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio (the Department), as of and for the year ended December 31, 2019, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Defiance/Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio, as of December 31, 2019, 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 Matters

As discussed in Note 3B to the financial statements, for the year ended December 31, 2019, the Department restated the beginning fund balances in the Public Assistance, Public Children Services, and Workforce Innovation and Opportunity Act funds to properly report interfund balances. In addition, as discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Department. We did not modify our opinion regarding these matters.

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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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, this information is 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 October 5, 2020, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

October 5, 2020

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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, 2019
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, 2019. 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 2019 are as follows:

- The total net position reported by the Department decreased \$583,797 from a deficit of \$2,596,203 to a deficit of \$3,180,000 from December 31, 2018's restated net position.
- General revenues accounted for \$489,579 or 9.2% of total governmental activities revenue. Program specific revenues accounted for \$4,830,066 or 90.8% of total governmental activities revenue.
- The Department had \$5,903,442 in expenses related to governmental activities. These expenses were partially offset by general revenues (reimbursements and other revenues) of \$489,579 and program specific revenues (operating grants and contributions) of \$4,830,066.
- The Department's major governmental funds are the Public Assistance Fund, the Public Children Services Fund, and the Workforce Innovation and Opportunity Act Fund. The fund balances have been restated as described in Note 3B. The Public Assistance Fund had revenues of \$3,566,802 and expenditures of \$3,460,272 during 2019. The net increase in fund balance for the Public Assistance Fund was \$106,530 or 26.55%.
- The Public Children Services Fund had revenues of \$2,015,024 and expenditures of \$1,676,497 during 2019. The net increase in fund balance for the Public Children Services Fund was \$338,257 or 56.34%.
- The Workforce Innovation and Opportunity Act Fund had revenues of \$102,287 and expenditures of \$63,887 during 2019. The net increase in fund balance for the Workforce Innovation and Opportunity Act Fund was \$38,400 or 52.45%.

Using this Annual Report

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
UNAUDITED
(Continued)

Reporting the Department as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all funds used by the Department to provide programs and activities, the view of the Department as a whole looks at all financial transactions and asks the question, "How did the Department do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Department's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Notes to the Basic Financial Statements

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

Supplemental Information

The Department has presented budgetary comparison schedules for the Public Assistance Fund, the Public Children Services Fund, and the Workforce Innovation and Opportunity Act Fund as supplemental information.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
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(Continued)

Required Supplementary Information

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

Government-Wide Financial Analysis

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." 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 OPEB, the net pension liability/asset, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/asset or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability to equal the Department's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

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/asset or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Department's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The statement of net position provides the perspective of the Department as a whole. The table below provides a summary of the Department's net position for 2019 and 2018.

	Governmental Activities	
	2019	2018
<u>Assets</u>		
Current assets	\$ 1,772,477	\$ 1,685,985
Capital assets, net	48,805	69,790
Total assets	1,821,282	1,755,775
<u>Deferred Outflows of Resources</u>		
Pension	1,131,502	542,573
OPEB	149,154	104,157
Total deferred outflows of resources	1,280,656	646,730
<u>Liabilities</u>		
Current liabilities	203,864	246,181
Long-term liabilities:		
Due within one year	324,909	102,551
Due in more than one	265,818	476,683
Net pension liability	3,702,548	2,114,538
Net OPEB liability	1,714,832	1,415,381
Total liabilities	6,211,971	4,355,334
<u>Deferred Inflows of Resources</u>		
Pension	52,559	461,110
OPEB	17,408	182,264
Total deferred inflows of resources	69,967	643,374
<u>Net Position</u>		
Net investment in capital assets	8,595	12,438
Restricted	1,287,913	842,577
Unrestricted (deficit)	(4,476,508)	(3,451,218)
Total net position (deficit)	\$ (3,180,000)	\$ (2,596,203)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
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(Continued)

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the Department's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$3,180,000.

At December 31, 2019, capital assets represented 2.68% of total assets. Capital assets include machinery and equipment and vehicles. The Department's net investment in capital assets at December 31, 2019 was \$8,595. These capital assets are used to provide services and are not available for future spending. Although the Department's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

At December 31, 2019, \$1,287,913 of the Department's net position represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$4,476,508 which was the result of reporting the net pension liability/asset required by GASB 68 and the net OPEB liability required by GASB 75.

The table below provides a summary of the Department's changes in net position for governmental activities for 2019 and 2018.

	Change in Net Position	
	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
<u>Revenues</u>		
Program revenues:		
Operating grants and contributions	\$ 4,830,066	\$ 4,424,710
General revenues:		
Reimbursements and other	489,579	899,579
<u>Expenses</u>		
Public assistance	4,146,590	3,291,162
Public children services	1,683,492	1,663,507
Workforce innovation and opportunity act	70,882	413,192
Interest and fiscal charges	2,478	6,924
Total expenses	<u>5,903,442</u>	<u>5,374,785</u>
Change in net position	(583,797)	(50,496)
Net position (deficit) at beginning of year	<u>(2,596,203)</u>	<u>(2,545,707)</u>
Net position (deficit) at end of year	<u>\$ (3,180,000)</u>	<u>\$ (2,596,203)</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 \$4,830,066 during the year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The most significant program expenses for the Department are related to public assistance. These expenses totaled \$4,146,590 during the year, representing 70.24% of total governmental activities expenses. The increase in public assistance and public children services, which increased \$855,428 and \$19,985 respectively, was primarily related to modified and full accrual adjustments for payables and interfund reimbursements expected to be repaid at a later date (depending on the financial resources that become available to the responsible funds/departments). Conversely, workforce innovation and opportunity act expenses decreased \$342,310, as a result of modified and full accrual adjustments in addition to less monies being spent on program services.

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 2019 and 2018. That is, it identifies the cost of these services supported by general revenues.

	Governmental Activities			
	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
Program Expenses				
Public assistance	\$ 4,146,590	\$ 711,075	\$ 3,291,162	\$ 701,290
Public children services	1,683,492	391,228	1,663,507	519,557
Workforce innovation and opportunity act	70,882	(31,405)	413,192	(277,696)
Interest and fiscal charges	<u>2,478</u>	<u>2,478</u>	<u>6,924</u>	<u>6,924</u>
Total	<u>\$ 5,903,442</u>	<u>\$ 1,073,376</u>	<u>\$ 5,374,785</u>	<u>\$ 950,075</u>

The dependence upon program specific revenues for governmental activities is apparent, with 81.82% of expenses supported through operating grants and contributions.

Governmental Funds

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

The Department's governmental funds reported a combined fund balance of \$1,558,793, which is \$483,457 more than last year's total of \$1,075,336. The table below indicates the fund balances and the total change in fund balances as of December 31, 2019 and December 31, 2018 for the governmental funds. The fund balances at December 31, 2018 have been restated as described in Note 3B.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
UNAUDITED
(Continued)

	Fund Balances <u>December 31, 2019</u>	Restated Fund Balances <u>December 31, 2018</u>	<u>Increase</u>	<u>Percentage Change</u>
Major Funds				
Public Assistance Fund	\$ 507,814	\$ 401,284	\$ 106,530	26.55 %
Public Children Services Fund	939,373	600,846	338,527	56.34 %
Workforce Innovation and Opportunity Act Fund	<u>111,606</u>	<u>73,206</u>	<u>38,400</u>	52.45 %
Total	<u>\$ 1,558,793</u>	<u>\$ 1,075,336</u>	<u>\$ 483,457</u>	44.96 %

The Public Assistance Fund had intergovernmental grants and entitlements totaling \$3,478,500 and other revenue totaling \$88,302 during the year. These revenue sources were adequate to cover the Public Assistance Fund expenditures of \$3,460,272 resulting in an increase in fund balance during 2019.

The Public Children Services Fund received intergovernmental revenue of \$1,613,636, contributions and donations of \$111, reimbursements and other revenues of \$401,277 during the year. These revenue sources were adequate to provide for the Public Children Services Fund expenditures of \$1,676,497 incurred during the year.

The Workforce Innovation and Opportunity Act Fund received intergovernmental revenue of \$102,287 during the year. This revenue source was adequate to provide for the Workforce Innovation and Opportunity Act Fund expenditures of \$63,887 incurred during the year.

Budgeting Highlights

Defiance County (the fiscal agent) requires the Department to budget all funds. The Department revenue allocations establish a limit on the amounts the Department may budget. The budget is the Department's authorization to spend resources, and sets annual limits on expenditures. 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 and Actual (Non-GAAP Budgetary Basis) for the Public Assistance Fund, the Public Children Services Fund, and the Workforce Innovation and Opportunity Act Fund and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

In the Public Assistance Fund, the original and final budgeted revenues were \$5,586,679. Actual revenues of \$4,656,377 were \$930,302 less than the final budgeted revenues. The original and final budgeted expenditures were \$5,657,455. Actual expenditures of \$4,413,302 were \$1,244,153 less than the final budgeted expenditures.

In the Public Children Services Fund, the original and final budgeted revenues and other financing sources were \$2,670,708. Actual revenues of \$2,139,964 were \$530,744 less than the final budgeted revenues and other financing sources. The original and final budgeted expenditures were \$2,513,494. Actual expenditures of \$1,712,084 were \$801,410 less than the final budgeted expenditures.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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In the Workforce Innovation and Opportunity Act Fund, the original and final budgeted revenues were \$544,889. Actual revenues of \$132,287 were \$412,602 less than the final budgeted revenues. The original and final budgeted expenditures were \$561,313. Actual expenditures of \$85,099 were \$476,214 less than the final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2019, the Department had \$48,805 (net of accumulated depreciation) invested in machinery and equipment and vehicles. The following table shows December 31, 2019 and December 31, 2018 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, 2019</u>	<u>December 31, 2018</u>
Capital Assets:		
Machinery and equipment	\$ 43,320	\$ 60,648
Vehicles	<u>5,485</u>	<u>9,142</u>
Total	<u>\$ 48,805</u>	<u>\$ 69,790</u>

There were \$40,239 in disposals to capital assets for 2019. Depreciation recorded for the year totaled \$20,985.

Debt Administration

The Department had the following long-term obligations outstanding at December 31, 2019 and December 31, 2018. See Note 10 to the basic financial statements for additional debt administration disclosures.

	Governmental Activities	Governmental Activities
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Capital lease obligations	\$ 40,210	\$ 57,352
Compensated absences	550,517	521,882
Net Pension Liability	3,702,548	2,114,538
Net OPEB Liability	<u>1,714,832</u>	<u>1,415,381</u>
Total	<u>\$ 6,008,107</u>	<u>\$ 4,109,153</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
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Economic Conditions and Current Issues

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

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

Contacting the Department's Financial Management

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

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

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities
Assets:	
Cash with fiscal agent	\$ 1,735,962
Receivables:	
Due from other governments	14,138
Materials and supplies inventory	7,187
Prepayments	5,370
Net OPEB asset	9,820
Capital assets:	
Depreciable capital assets, net	48,805
Total capital assets, net	48,805
Total assets	1,821,282
Deferred outflows of resources:	
Pension	1,131,502
OPEB	149,154
Total deferred outflows of resources	1,280,656
Total assets and deferred outflows of resources	3,101,938
Liabilities:	
Accounts payable	113,859
Accrued wages and benefits payable	55,890
Due to other governments	34,115
Long-term liabilities:	
Due within one year	324,909
Due in more than one year	265,818
Net pension liability	3,702,548
Net OPEB liability	1,714,832
Total liabilities	6,211,971
Deferred inflows of resources:	
Pension	52,559
OPEB	17,408
Total deferred inflows of resources	69,967
Total liabilities and deferred inflows of resources.	6,281,938
Net position:	
Net investment in capital assets	8,595
Restricted for:	
Job and family services	1,287,913
Unrestricted (deficit)	(4,476,508)
Total net position (deficit)	\$ (3,180,000)

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 2019

	Public Assistance Fund	Public Children Services Fund	Workforce Innovation and Opportunity Act Fund	Total Governmental Funds
Assets:				
Cash with fiscal agent	\$ 558,032	\$ 1,068,719	\$ 109,211	\$ 1,735,962
Receivables:				
Due from other governments	1,594	12,544	-	14,138
Due from other funds	55,216	-	-	55,216
Materials and supplies inventory	2,396	2,396	2,395	7,187
Prepayments	5,370	-	-	5,370
Total assets	\$ 622,608	\$ 1,083,659	\$ 111,606	\$ 1,817,873
Liabilities:				
Accounts payable	\$ 27,766	\$ 86,093	\$ -	\$ 113,859
Accrued wages and benefits payable	55,890	-	-	55,890
Due to other governments	31,138	2,977	-	34,115
Due to other funds	-	55,216	-	55,216
Total liabilities	114,794	144,286	-	259,080
Fund balances:				
Nonspendable	7,766	2,396	2,395	12,557
Restricted	500,048	936,977	109,211	1,546,236
Total fund balances	507,814	939,373	111,606	1,558,793
Total liabilities and fund balances	\$ 622,608	\$ 1,083,659	\$ 111,606	\$ 1,817,873

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, 2019

Total governmental fund balances	\$	1,558,793
 <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.		48,805
 The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	\$ 1,131,502	
Deferred inflows of resources	(52,559)	
Net pension asset	9,820	
Net pension liability	<u>(3,702,548)</u>	
Total		(2,613,785)
 The net OPEB liability is not available to pay for current period expenditures and is not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	149,154	
Deferred inflows of resources	(17,408)	
Net OBEP liability	<u>(1,714,832)</u>	
Total		(1,583,086)
 Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligations	(40,210)	
Compensated absences	<u>(550,517)</u>	
Total		<u>(590,727)</u>
Net position (deficit) of governmental activities	\$	<u><u>(3,180,000)</u></u>

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, 2019

	Public Assistance Fund	Public Children Services Fund	Workforce Innovation and Opportunity Act Fund	Total Governmental Funds
Revenues:				
From local sources:				
Intergovernmental	\$ 3,478,500	\$ 1,613,636	\$ 102,287	\$ 5,194,423
Contributions and donations	-	111	-	111
Reimbursements and other	88,302	401,277	-	489,579
Total revenues	<u>3,566,802</u>	<u>2,015,024</u>	<u>102,287</u>	<u>5,684,113</u>
Expenditures:				
Current:				
Public assistance	3,440,652	-	-	3,440,652
Public children services	-	1,676,497	-	1,676,497
Workforce innovation and opportunity act	-	-	63,887	63,887
Debt service:				
Principal retirement	17,142	-	-	17,142
Interest and fiscal charges	2,478	-	-	2,478
Total expenditures	<u>3,460,272</u>	<u>1,676,497</u>	<u>63,887</u>	<u>5,200,656</u>
Net change in fund balances	106,530	338,527	38,400	483,457
Fund balances at beginning of year (restated)	<u>401,284</u>	<u>600,846</u>	<u>73,206</u>	<u>1,075,336</u>
Fund balances at end of year	<u>\$ 507,814</u>	<u>\$ 939,373</u>	<u>\$ 111,606</u>	<u>\$ 1,558,793</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, 2019

Net change in fund balances - total governmental funds	\$	483,457
 <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 depreciation expense exceeded capital outlay in the current period.		
Current year depreciation		(20,985)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental revenue		(364,468)
 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.		
		17,142
 Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		279,209
 Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension		(859,919)
OPEB		(89,598)
 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.		
		(28,635)
Change in net position of governmental activities	\$	(583,797)

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, 2019

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.

PRIMARY GOVERNMENT

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

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).

PUBLIC ENTITY RISK POOLS

The Department participates in the County Risk Sharing Authority, Inc. (CORSA) and the County Commissioners Association of Ohio Service Corporation. Note 7 to the basic financial statements provides additional information for these entities.

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

B. Basis of Presentation

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

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

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

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

C. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

GOVERNMENTAL FUNDS

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

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

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

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

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

D. Measurement Focus

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

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

E. Basis of Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources – In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Department, see Notes 8 and 9 for deferred outflows of resources related to the Department’s net pension liability and net OPEB liability, respectively.

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

For the Department see Notes 8 and 9 for deferred inflows related to the Department’s net pension liability and net OPEB liability, respectively. 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, 2019
(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

On the government-wide and fund financial statements, 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.

On the fund financial statements, 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 acquisition value on the date donated. The Department maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are not capitalized.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

J. Interfund Balances

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability on the fund financial statements only to the extent that they are due for payment during the current year. Capital lease obligations are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

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 category 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. It also includes the long-term amount of interfund loans.

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.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

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

O. Estimates

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

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. Employer Contributions to Cost-Sharing Pension Plans

The Department recognized the disbursement of employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

R. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2019, the Department has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 84, "Fiduciary Activities", GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Department.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Department will no longer be reporting agency funds. The implementation of GASB Statement No 84 did not have an effect on the financial statements of the Department.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Department.

GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Department.

B. Restatement of Fund Balances

During 2019, due to a deficiency in the calculation of interfund activity, the Department changed the calculation and restated beginning fund balances. This adjustment does not impact the beginning balance of net position. The restatement of interfund balances had the following effect on fund balances as reported at December 31, 2018:

	Public Assistance Fund	Public Children Services Fund	Workforce Innovation and Opportunity Act Fund	Totals
Fund Balance as previously reported	\$ 554,242	\$ 729,142	\$ (208,048)	\$ 1,075,336
Interfund restatement	<u>(152,958)</u>	<u>(128,296)</u>	<u>281,254</u>	<u>-</u>
Restated Fund Balance, at December 31, 2018	<u>\$ 401,284</u>	<u>\$ 600,846</u>	<u>\$ 73,206</u>	<u>\$ 1,075,336</u>

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 \$1,735,962, 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.

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NOTE 5 – RECEIVABLES

Receivables at December 31, 2019 consisted of 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 Fund	\$ 1,594
Public Children Services Fund	12,544
Total	\$ 14,138

NOTE 6 – CAPITAL ASSETS

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

	Balance January 1, 2019	Additions	Disposals	Balance December 31, 2019
<u>Governmental Activities:</u>				
<i>Capital assets, being depreciated:</i>				
Machinery and equipment	\$ 126,879	\$ -	\$ (40,239)	\$ 86,640
Vehicles	25,599	-	-	25,599
Total capital assets, being depreciated	152,478	-	(40,239)	112,239
<i>Less: accumulated depreciation:</i>				
Machinery and equipment	(66,231)	(17,328)	40,239	(43,320)
Vehicles	(16,457)	(3,657)	-	(20,114)
Total accumulated depreciation	(82,688)	(20,985)	40,239	(63,434)
Total capital assets, being depreciated, net	69,790	(20,985)	-	48,805
Governmental activities capital assets, net	\$ 69,790	\$ (20,985)	\$ -	\$ 48,805

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	Amounts
Public assistance	\$ 6,995
Public children services	6,995
Workforce innovation and opportunity act	6,995
Total depreciation expense	\$ 20,985

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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, 2019 insurance coverage limits are as follows:

Property	\$ 8,161,876
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

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

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

Defiance County reports claims payable, which is based on the requirements of Governmental Accounting Standards Board Statement No. 30 “*Accounting for 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 for information prior to issuance of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable for Defiance County as of December 31, 2019 is estimated by a third party administrator at \$350,771, which included all outstanding claims made by the Department’s employees.

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C. Workers' Compensation

Through Defiance County, the Department is subject to participation in the County Commissioners Association of Ohio 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 PLAN

Net Pension Liability/Asset

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

Ohio Revised Code limits the Department's obligation for this liability/asset 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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GASB 68 assumes any net pension liability/asset 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 is presented as a long-term net pension liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

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 Pension Plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and Combined Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan 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	Traditional Plan 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	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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 Traditional Pension Plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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 percent to the member's FAS for the first 30 years of service.

A factor of 1.25 percent is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1 percent to the member's FAS and the first 35 years of service and a factor of 1.25 percent 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 percent COLA adjustment on the defined benefit portion of their benefit.

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Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's 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. 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:

	<u>State and Local</u>
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	<u>0.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

* Member contributions within the Combined Plan are not used to fund the defined benefit retirement allowance.

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

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

The Department's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$279,209 for 2019. Of this amount, \$29,168 is reported as due to other governments.

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

The net pension liability/asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2018, and the total pension liability/asset used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability/asset was based on the Department's share of contributions to the pension plan relative to the contributions of all participating entities.

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Following is information related to the proportionate share and pension expense:

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01347900%	0.00000000%	0.00000000%	
Proportion of the net pension liability/asset current measurement date	<u>0.01351900%</u>	<u>0.00862122%</u>	<u>0.00789548%</u>	
Change in proportionate share	<u>0.00004000%</u>	<u>0.00862122%</u>	<u>0.00789548%</u>	
Proportionate share of the net pension liability	\$ 3,702,548	\$ -	\$ -	\$ 3,702,548
Proportionate share of the net pension asset	-	(9,640)	(180)	(9,820)
Pension expense	857,291	2,675	(47)	859,919

At December 31, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>Member- Directed</u>	<u>Total</u>
Deferred outflows of resources				
Differences between expected and actual experience	\$ 171	\$ -	\$ 751	\$ 922
Net difference between projected and actual earnings on pension plan investments	502,537	2,076	59	504,672
Changes of assumptions	322,316	2,152	57	324,525
Changes in employer's proportionate percentage/ difference between employer contributions	22,174	-	-	22,174
Contributions subsequent to the measurement date	279,209	-	-	279,209
Total deferred outflows of resources	<u>\$ 1,126,407</u>	<u>\$ 4,228</u>	<u>\$ 867</u>	<u>\$ 1,131,502</u>

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	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	Total
Deferred inflows of resources				
Differences between expected and actual experience	\$ 48,618	\$ 3,941	\$ -	\$ 52,559
Total deferred inflows of resources	<u>\$ 48,618</u>	<u>\$ 3,941</u>	<u>\$ -</u>	<u>\$ 52,559</u>

\$279,209 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/asset in the year ending December 31, 2020.

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 - Traditional	OPERS - Combined	OPERS - Member- Directed	Total
Year Ending December 31:				
2020	\$ 349,252	\$ 326	\$ 122	\$ 349,700
2021	168,991	(87)	114	169,018
2022	46,620	(44)	116	46,692
2023	233,717	605	139	234,461
2024	-	(252)	107	(145)
Thereafter	-	(261)	269	8
Total	<u>\$ 798,580</u>	<u>\$ 287</u>	<u>\$ 867</u>	<u>\$ 799,734</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

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	<u>OPERS - Traditional Pension Plan</u>	<u>OPERS - Combined and Member Directed Plans</u>
Wage inflation	3.25%	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple	3.25% to 8.25% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return		
Current measurement date	7.20%	7.20%
Prior measurement date	7.50%	7.50%
Actuarial cost method	Individual entry age	Individual entry age

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

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

The long-term expected 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94 percent for 2018.

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 2018 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate – The discount rate used to measure the total pension liability/asset was 7.20 percent, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan 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/Asset to Changes in the Discount Rate – The following table presents the Department’s proportionate share of the net pension liability/(asset) calculated using the current period discount rate assumption of 7.20 percent, as well as what the Department’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Department's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 5,469,740	\$ 3,702,548	\$ 2,233,996
Combined Plan	(3,190)	(9,640)	(14,311)
Member-Directed Plan	(79)	(180)	(316)

NOTE 9 – DEFINED BENEFIT OPEB PLAN

Net OPEB Liability/Asset

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 75 assumes the liability/asset is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14 percent of earnable salary and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0 percent for the Traditional Pension and Combined Plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4 percent.

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

The Department's did not make any contractually required contributions for 2018.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Department's proportion of the net OPEB liability was based on the Department's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	OPERS
Proportion of the net OPEB liability prior measurement date	0.01303400%
Proportion of the net OPEB liability current measurement date	<u>0.01315300%</u>
Change in proportionate share	<u>0.00011900%</u>
Proportionate share of the net OPEB liability	\$ 1,714,832
OPEB expense	\$ 89,598

At December 31, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred outflows of resources	
Differences between expected and actual experience	\$ 581
Net difference between projected and actual earnings on OPEB plan investments	78,615
Changes of assumptions	55,288
Changes in employer's proportionate percentage/ difference between employer contributions	14,670
Total deferred outflows of resources	<u>\$ 149,154</u>
	OPERS
Deferred inflows of resources	
Differences between expected and actual experience	\$ 4,653
Changes in employer's proportionate percentage/ difference between employer contributions	12,755
Total deferred inflows of resources	<u>\$ 17,408</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

There were no amounts reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

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

Year Ending December 31:	OPERS
2020	\$ 60,462
2021	18,635
2022	13,046
2023	39,603
Thereafter	-
Total	\$ 131,746

Actuarial Assumptions – OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	
Current measurement date	6 percent
Prior Measurement date	6.5 percent
Municipal Bond Rate	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate	
Current measurement date	10 percent initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.50 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60 percent for 2018.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

Discount Rate – A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Department's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the Department's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Department's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Decrease (4.96%)
Department's proportionate share of the net OPEB liability	\$ 2,193,910	\$ 1,714,832	\$ 1,333,839

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Sensitivity of the Department's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00 percent lower or 1.00 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate Assumption</u>	<u>1% Increase</u>
Department's proportionate share of the net OPEB liability	\$ 1,648,326	\$ 1,714,832	\$ 1,791,430

NOTE 10 – LONG-TERM OBLIGATIONS

The Department's long-term obligations activity as of December 31, 2019 was as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>January 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2019</u>	<u>Due in One Year</u>
Governmental Activities:					
Capital lease obligations	\$ 57,352	\$ -	\$ (17,142)	\$ 40,210	\$ 19,620
Compensated absences	521,882	321,009	(292,374)	550,517	305,289
Net Pension Liability	2,114,538	1,588,010	-	3,702,548	-
Net OPEB Liability	<u>1,415,381</u>	<u>299,451</u>	<u>-</u>	<u>1,714,832</u>	<u>-</u>
Total governmental activities long-term obligations	<u>\$ 4,109,153</u>	<u>\$ 2,208,470</u>	<u>\$ (309,516)</u>	<u>\$ 6,008,107</u>	<u>\$ 324,909</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/asset is discussed in Note 8.

Net OPEB Liability: The Department's net OPEB liability is discussed in Note 9.

**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, 2019
(Continued)

NOTE 11 – CAPITALIZED LEASES – LESSEE DISCLOSURE

Capital assets consisting of copier equipment have been capitalized in the amount of \$86,640. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2019 for this equipment was \$43,320, leaving a current book value of \$43,320.

A corresponding liability is recorded on the government-wide financial statements. Principal and interest payments made during 2019 from the Public Assistance Fund totaled \$17,142 and \$2,478 respectively for the copier equipment.

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, 2019:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 19,620
2021	19,620
2022	3,271
Total minimum lease payments	<u>42,511</u>
Less: amount representing interest	<u>(2,301)</u>
Total	<u>\$ 40,210</u>

NOTE 12 – OPERATING LEASES

During 2019, the Department entered into operating lease agreements for office space at the following three locations: Evergreen Lane Office Complex, 252 Dooley Drive, and Defiance County Workforce Development Office. The Department also entered into an operating lease agreement for a vehicle with the Paulding County Commissioner’s Office.

During the period of January 1, 2019 through December 31, 2019, the Department leased office space at Evergreen Lane Office Complex for \$4,287 per month.

During the period of January 1, 2019 through December 31, 2019, the Department leased office space at 252 Dooley Drive for \$2,413 per month.

During the period of January 1, 2019 through December 31, 2019, the Department leased office space at Defiance County Workforce Development Office at a rate of \$4,662 per month.

During the period of January 1, 2019 through December 31, 2021, the Department leased a Ford Explorer from Paulding County Commissioner’s Office at a rate of \$1,763 per quarter.

NOTE 13 – INTERFUND TRANSACTIONS

Due from/to other funds consisted of the following at December 31, 2019, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Assistance Fund	Public Children Services Fund	<u>\$ 55,216</u>

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

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 2019, the Department received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Department believes such disallowances, if any, would be immaterial.

B. Litigation

The Department is not currently party to any legal proceedings.

NOTE 15 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned 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 constraints places on fund balance for the major governmental funds is presented below:

	Public Assistance Fund	Public Children Services Fund	Workforce Innovation and Opportunity Act Fund	Total Governmental Funds
Nonspendable:				
Materials and Supplies	\$ 2,396	\$ 2,396	\$ 2,395	\$ 7,187
Prepayments	5,370	-	-	5,370
Total Nonspendable	<u>7,766</u>	<u>2,396</u>	<u>2,395</u>	<u>12,557</u>
Restricted:				
Public Assistance	500,048	-	-	500,048
Children Services	-	936,977	-	936,977
Workforce Innovation and Opportunity Act	-	-	109,211	109,211
Total Restricted	<u>500,048</u>	<u>936,977</u>	<u>109,211</u>	<u>1,546,236</u>
Total Fund Balance	<u>\$ 507,814</u>	<u>\$ 939,373</u>	<u>\$ 111,606</u>	<u>\$ 1,558,793</u>

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DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 16 – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Department. The Department's investments of the pension and other employee benefit plan in which the Department participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Department's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX YEARS

	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
<i>Traditional Plan:</i>											
Department's proportion of the net pension liability	0.013519%		0.013479%		0.013370%		0.013862%		0.012888%		0.012888%
Department's proportionate share of the net pension liability	\$ 3,702,548	\$	2,114,538	\$	3,036,134	\$	2,401,053	\$	1,554,437	\$	1,519,327
Department's covered payroll	\$ 1,896,450	\$	1,834,400	\$	1,825,967	\$	1,844,050	\$	1,773,817	\$	400,162
Department's proportionate share of the net pension liability as a percentage of its covered payroll	195.24%		115.27%		166.28%		130.21%		87.63%		379.68%
Plan fiduciary net position as a percentage of the total pension liability	74.70%		84.66%		77.25%		81.08%		86.45%		86.36%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DEPARTMENT'S PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SEVEN YEARS

Traditional Plan:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 279,209	\$ 265,503	\$ 238,472	\$ 219,116	\$ 221,286	\$ 212,858	\$ 52,021
Contributions in relation to the contractually required contribution	<u>(279,209)</u>	<u>(265,503)</u>	<u>(238,472)</u>	<u>(219,116)</u>	<u>(221,286)</u>	<u>(212,858)</u>	<u>(52,021)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 1,994,350	\$ 1,896,450	\$ 1,834,400	\$ 1,825,967	\$ 1,844,050	\$ 1,773,817	\$ 400,162
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

Note: The Job and Family Services began operations in October 2013. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Department's proportion of the net OPEB liability	0.013153%	0.013034%	0.013370%
Department's proportionate share of the net OPEB liability	\$ 1,714,832	\$ 1,415,381	\$ 1,350,415
Department's covered payroll	\$ 1,896,450	\$ 1,834,400	\$ 1,825,967
Department's proportionate share of the net OPEB liability as a percentage of its covered payroll	90.42%	77.16%	73.96%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DEPARTMENT'S OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SEVEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ -	\$ -	\$ 18,344	\$ 36,519	\$ 36,881	\$ 38,733	\$ 8,670
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>(18,344)</u>	<u>(36,519)</u>	<u>(36,881)</u>	<u>(38,733)</u>	<u>(8,670)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 1,994,350	\$ 1,896,450	\$ 1,834,400	\$ 1,825,967	\$ 1,844,050	\$ 1,773,817	\$ 400,162
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.18%	2.17%

Note: The Job and Family Services began operations in October 2013. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

**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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Intergovernmental	\$ 5,182,679	5,182,679	\$ 3,646,589	\$ (1,536,090)
Reimbursements and other	404,000	404,000	1,009,788	605,788
Total revenues	<u>5,586,679</u>	<u>5,586,679</u>	<u>4,656,377</u>	<u>(930,302)</u>
Expenditures:				
Current:				
Public assistance	5,657,455	5,657,455	4,413,302	1,244,153
Net change in fund balance	(70,776)	(70,776)	243,075	313,851
Fund balance at beginning of year	204,342	204,342	204,342	-
Prior year encumbrances appropriated	70,776	70,776	70,776	-
Fund balance at end of year	<u>\$ 204,342</u>	<u>\$ 204,342</u>	<u>\$ 518,193</u>	<u>\$ 313,851</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,959,708	\$ 1,959,708	\$ 1,738,576	\$ (221,132)
Contributions and donations	1,000	1,000	111	(889)
Reimbursements and other	650,000	650,000	401,277	(248,723)
Total revenues	<u>2,610,708</u>	<u>2,610,708</u>	<u>2,139,964</u>	<u>(470,744)</u>
Expenditures:				
Current:				
Public children services	<u>2,513,494</u>	<u>2,513,494</u>	<u>1,712,084</u>	<u>801,410</u>
Excess of revenues over expenditures	<u>97,214</u>	<u>97,214</u>	<u>427,880</u>	<u>330,666</u>
Other financing sources:				
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>(60,000)</u>
Net change in fund balance	157,214	157,214	427,880	270,666
Fund balance at beginning of year	590,981	590,981	590,981	-
Prior year encumbrances appropriated	<u>42,786</u>	<u>42,786</u>	<u>42,786</u>	<u>-</u>
Fund balance at end of year	<u>\$ 790,981</u>	<u>\$ 790,981</u>	<u>\$ 1,061,647</u>	<u>\$ 270,666</u>

SEE ACCOMPANYING BUDGETARY NOTES

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WORKFORCE INNOVATION AND OPPORTUNITY ACT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 534,889	\$ 534,889	\$ 132,287	\$ (402,602)
Other	10,000	10,000	-	(10,000)
Total revenues	<u>544,889</u>	<u>544,889</u>	<u>132,287</u>	<u>(412,602)</u>
Expenditures:				
Current:				
Workforce innovation and opportunity act	<u>561,313</u>	<u>561,313</u>	<u>85,099</u>	<u>476,214</u>
Net change in fund balance	(16,424)	(16,424)	47,188	63,612
Fund balance at beginning of year	45,599	45,599	45,599	-
Prior year encumbrances appropriated	<u>16,424</u>	<u>16,424</u>	<u>16,424</u>	<u>-</u>
Fund balance at end of year	<u>\$ 45,599</u>	<u>\$ 45,599</u>	<u>\$ 109,211</u>	<u>\$ 63,612</u>

SEE ACCOMPANYING BUDGETARY NOTES

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

NOTES TO SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 – BUDGETARY SCHEDULES

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

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

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

	Public Assistance	Public Children Services	Workforce Innovation and Opportunity Act
Budgetary basis	\$ 243,075	\$ 427,880	\$ 47,188
Net adjustment for revenue accruals	(1,089,575)	(124,940)	(30,000)
Net adjustment for expenditure accruals	913,186	28,515	21,212
Adjustment for encumbrances	<u>39,844</u>	<u>7,072</u>	<u>-</u>
GAAP basis	<u>\$ 106,530</u>	<u>\$ 338,527</u>	<u>\$ 38,400</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through To Subrecipients	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Job and Family Services</i>				
Supplemental Nutrition Assistance Program Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1819-11-5830 / G-2021-11-6017	_____	\$ 335,486
Total U.S. Department of Agriculture			_____	335,486
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Job and Family Services</i>				
MaryLee Allen Promoting Safe and Stable Families Program	93.556	G-1819-11-5830 / G-2021-11-6017		29,159
Temporary Assistance for Needy Families Cluster:				
Temporary Assistance for Needy Families	93.558	G-1819-11-5830 / G-2021-11-6017		1,186,775
Child Care and Development Funds Cluster:				
Child Care and Development Block Grant	93.575	G-1819-11-5830 / G-2021-11-6017	\$ 51,753	51,753
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1819-11-5830 / G-2021-11-6017		79,432
Social Services Block Grant	93.667	G-1819-11-5830 / G-2021-11-6017		460,732
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1819-11-5830 / G-2021-11-6017		319
Children's Health Insurance Program	93.767	G-1819-11-5830 / G-2021-11-6017		10,421
Medicaid Cluster:				
Medical Assistance Program	93.778	G-1819-11-5830 / G-2021-11-6017		597,778
Foster Care Title IV-E	93.658	G-1819-11-5830 / G-2021-11-6017		237,806
Adoption Assistance	93.659	G-1819-11-5830 / G-2021-11-6017	_____	194,950
Total U.S. Department of Health and Human Services			51,753	2,849,125
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Montgomery County Workforce Investment Act Area 7</i>				
Workforce Innovation and Opportunity Act Cluster:				
WIOA Adult Program	17.258	2018-7120-1 / 2018-7163-1		29,001
WIOA Youth Activities	17.259	2018-7120-1 / 2018-7163-1		20,523
WIOA Dislocated Worker Formula Grants	17.278	2018-7120-1 / 2018-7163-1	_____	35,575
Total Workforce Innovation and Opportunity Act Cluster			_____	85,099
Total U.S. Department of Labor			_____	85,099
Total Expenditures of Federal Awards			\$ 51,753	\$ 3,269,710

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, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Defiance/Paulding Consolidated Department of Job and Family Services, Defiance County, Ohio (the Department) under programs of the federal government for the year ended December 31, 2019. 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 the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D – 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 E – 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 and each major fund of the Defiance/Paulding Consolidated Department of Job Family Services, Defiance County, Ohio (the Department) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements and have issued our report thereon dated October 5, 2020, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Department. We also noted the Department restated its beginning fund balances to properly report interfund balances.

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 2019-001 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*.

Department's Response to Finding

The Department's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the Department's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

October 5, 2020



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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 each of the Department's major federal programs for the year ended December 31, 2019. 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.

Efficient • Effective • Transparent

Opinion on Each Major Federal Program

In our opinion, the Defiance/Paulding Consolidated Department of Job and Family Services complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each major federal program for the year ended December 31, 2019.

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 would not necessarily 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 internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

October 5, 2020

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019**

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):	Social Services Block Grant – CFDA #93.667 Medicaid Cluster
(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?	Yes

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors were identified in the accompanying financial statements:

- Due from other governments and intergovernmental revenue not available were overstated in the amount of \$236,934 in the Public Children Services Fund on the Balance Sheet – Governmental Funds. Due from other governments on the Statement of Net Position and operating grants and contributions – public children services on the Statement of Activities were also adjusted by the same amount.
- Original and final budgeted expenditures on the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Workforce Innovation and Opportunity Act Fund, were understated in the amount of \$16,424.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

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 and notes to the financial statements by the Business Administrator and the audit committee, to identify and correct errors and omissions.

Officials' Response:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None



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**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2019**

Finding Number:

2019-001

Planned Corrective Action:

The Department lacked a policy regarding financial review which contributed to material mispostings in the financial statements and supplemental budgetary statements. The lack of reviewing financial statements resulted in material mispostings in the current audit period. The Business Administrator will continue to monitor the Department's financial statements and make necessary changes when necessary.

Anticipated Completion Date:

December 31, 2020

Responsible Contact Person:

Cynthia Thatcher, Business Administrator

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OHIO AUDITOR OF STATE KEITH FABER



DEFIANCE – PAULDING CONSOLIDATED DEPARTMENT OF JOB AND FAMILY SERVICES

DEFIANCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/20/2020

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
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