



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
SUMMIT COUNTY  
DECEMBER 31, 2018**

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**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
SUMMIT COUNTY  
DECEMBER 31, 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Summit and Medina Workforce Area Council of Governments  
Summit County  
175 South Main Street, Suite 207  
Akron, Ohio 44308

To the Board:

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Summit and Medina Workforce Area Council of Governments, Summit County, Ohio a component unit of Summit County (the COG), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the COG'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 COG'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 COG'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 the major fund of the Summit and Medina Workforce Area Council of Governments, Summit County, Ohio, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension 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 COG's basic financial statements taken as a whole.

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 schedule is management's responsibility, and derives from and relates 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 September 25, 2019, on our consideration of the COG'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 COG's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State

Columbus, Ohio

September 25, 2019

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**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

The discussion and analysis of the Summit and Medina Workforce Area Council of Governments' (the "COG") financial performance provides an overall review of the COG's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the COG's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the COG's financial performance.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- In total, net position was a deficit of \$312,388 at December 31, 2018. This represents an increase of \$174,028, or 35.78%, from December 31, 2017 as restated.
- Governmental activities program revenues, in the form of grants and contributions, accounted for \$3,743,514 or 93.25% of total governmental revenues. General revenues accounted for \$270,855 or 6.75% of total governmental revenues of \$4,014,369.
- The COG had \$3,840,341 in expenses related to governmental activities. Program revenues were adequate to provide for these programs.
- The COG's only major fund is the general fund. The general fund had total revenues of \$4,114,134 and total expenditures of \$3,755,952. The general fund's fund balance increased \$358,182 from a deficit balance of \$806,768 to a deficit balance of \$448,586.

**Using the Basic Financial Statements (BFS)**

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 COG 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 COG, presenting both an aggregate view of the COG'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 COG's most significant funds with all other nonmajor funds presented in total in one column. In the case of the COG, the general fund is by far the most significant fund, as it's the only governmental fund.

**Reporting the COG as a Whole**

***Statement of Net Position and the Statement of Activities***

This document looks at all financial transactions and asks the question, "How did the COG do financially during fiscal year 2018?" 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.

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
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SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

These two statements report the COG's net position and changes in net position. This change in net position is important because it tells the reader that, for the COG as a whole, the financial position of the COG has improved or diminished.

All of the COG's programs and services are reported as governmental activities in the statement of net position and the statement of activities. Governmental activities consist of functions that are primarily supported by intergovernmental revenues. Activities include U.S. Department of Labor Workforce Innovation and Opportunity Act programs (Adult, Dislocated Worker, Youth, Rapid Response, and Administration) and other funding streams, as available.

The COG's statement of net position and statement of activities can be found on pages 11 and 12 of this report.

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

***Fund Financial Statements***

The analysis of the COG's major governmental fund begins on page 10. Fund financial reports provide detailed information about the COG's major fund. The COG has only one fund to account for a multitude of financial transactions. The COG's major governmental fund is the general fund.

***Governmental Funds***

All of the COG's activities are reported in a governmental fund, which focus on how money flows into and out of it and the balances left at year end available for spending in future periods. The fund is 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 COG's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance its programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental fund is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 13-16 of this report.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 17-39 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the COG's net pension liability and net Other Post-Employment Benefits (OPEB) liability. The required supplementary information can be found on pages 42-46 of this report.

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

The table below provides a summary of the COG's net position at December 31, 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 13.

	<b>Net Position</b>	
	Governmental Activities 2018	Restated Governmental Activities 2017
	2018	2017
<b><u>Assets</u></b>		
Current and other assets	\$ 373,760	\$ 463,159
Total assets	373,760	463,159
<b><u>Deferred Outflows of Resources</u></b>		
Pensions (Note 7)	126,931	13,962
OPEB (Note 8)	57,924	1,074
Total deferred outflows of resources	184,855	15,036
<b><u>Liabilities</u></b>		
Current liabilities	589,863	939,102
Long-term liabilities:		
Due within one year	18,193	10,496
Due in more than one year:		
Net pension liability (Note 7)	127,544	-
Net OPEB liability (Note 8)	82,530	-
Other amounts	16,830	15,013
Total liabilities	834,960	964,611
<b><u>Deferred Inflows of Resources</u></b>		
Pensions (Note 7)	29,895	-
OPEB (Note 8)	6,148	-
Total deferred inflows of resources	36,043	-
<b><u>Net Position</u></b>		
Unrestricted (deficit)	(312,388)	(486,416)
Total net position	\$ (312,388)	\$ (486,416)

The net pension liability (NPL) is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For 2018, the COG adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the COG's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

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* 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 and the net OPEB liability to equal the COG'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 COG 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.

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 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 COG'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 and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
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SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

As a result of implementing GASB 75, the COG is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from a deficit of \$487,490 to a deficit of \$486,416 for governmental activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the COG's net position totaled a deficit \$312,388.

Current assets decreased due to a decrease in intergovernmental receivables, which is due to amounts that are reimbursable from the State and Federal government decreasing from the prior year. Current liabilities decreased primarily due to a decrease in amounts due to other governments.

The COG does not have any net position that represents resources that are subject to external restriction on how they may be used. The COG's unrestricted net position is deficit of \$312,388.

The table below shows the changes in net position for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 13.

**Change in Net Position**

	<b>2018</b>	<b>2017</b>
<b><u>Revenues:</u></b>		
Program revenues:		
Operating grants	\$ 3,743,514	\$ 1,819,403
General revenues:		
Other	270,855	-
Total revenues	4,014,369	1,819,403
<b><u>Expenses:</u></b>		
Human services:		
Employment and training program	3,840,341	2,306,893
Change in net position	174,028	(487,490)
Net position at beginning of year (restated)	(486,416)	N/A
Net position at end of year	\$ (312,388)	\$ (486,416)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$1,074 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$31,828. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

	Governmental Activities
Total 2018 program expenses under GASB 75	\$ 3,840,341
OPEB expense under GASB 75	(31,828)
Adjusted 2018 program expenses	3,808,513
Total 2017 program expenses under GASB 45	2,306,893
Increase in program expenses not related to OPEB	\$ 1,501,620

The COG relies upon grant revenues from the State of Ohio and the federal government to support its programs. Operating grants increased as the COG began its first full year of operations. This also led to an increase in expenses in 2018. The COG began operations on July 1, 2017.

**General Fund**

The focus of the COG's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the COG's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the COG's general fund reported an ending deficit fund balance of \$448,586. This is an increase of \$358,182, or 44.40% from the prior. The general fund had \$4,114,134 in revenues and \$3,755,952 in expenditures. As the COG only has one governmental fund, the analysis from a fund perspective is similar to the analysis already presented on a government-wide basis, exclusive of generally accepted accounting differences between the two sets of statements which are highlighted in the reconciliations and notes to the financial statements.

**General Fund Budgeting Highlights**

The COG's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year. The COG's annual budget is not prescribed by Ohio Revised Code or subject to formal budget commission procedures.

**Capital Assets**

At December 31, 2018, the COG did not have any capital assets.

**Debt Obligations**

At December 31, 2018, the COG did not have any long-term debt obligations.

**Contacting the COG's Financial Management**

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the COG's finances and to show the COG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christine Marshall, Executive Director, 175 South Main Street, Suite 207, Akron, Ohio 44308.

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Receivables:	
Accounts . . . . .	\$ 92,203
Intergovernmental . . . . .	280,902
Prepayments . . . . .	655
Total assets . . . . .	373,760
 <b>Deferred outflows of resources:</b>	
Pension (Note 7) . . . . .	126,931
OPEB (Note 8) . . . . .	57,924
Total deferred outflows of resources . . . . .	184,855
 <b>Liabilities:</b>	
Accounts payable . . . . .	186,141
Accrued wages and benefits payable . . . . .	5,331
Intergovernmental payable . . . . .	219,856
Due to fiscal agent . . . . .	178,535
Long-term liabilities:	
Due within one year . . . . .	18,193
Due in more than one year	
Net pension liability (Note 7) . . . . .	127,544
Net OPEB liability (Note 8) . . . . .	82,530
Other amounts due in more than one year . . . . .	16,830
Total liabilities . . . . .	834,960
 <b>Deferred inflows of resources:</b>	
Pension (Note 7) . . . . .	29,895
OPEB (Note 8) . . . . .	6,148
Total deferred inflows of resources . . . . .	36,043
 <b>Net position:</b>	
Unrestricted (deficit) . . . . .	(312,388)
Total net position (deficit) . . . . .	\$ (312,388)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants</u> <u>and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>  <u>Governmental Activities</u>
<b>Governmental activities:</b>			
Human Services:			
Employment and Training Program . . . .	\$ 3,840,341	\$ 3,743,514	\$ (96,827)
			<u>270,855</u>
			174,028
			<u>(486,416)</u>
			<u>\$ (312,388)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2018

	<b>General</b>
<b>Assets:</b>	
Receivables:	
Accounts . . . . .	\$ 92,203
Intergovernmental . . . . .	280,902
Prepayments . . . . .	655
Total assets . . . . .	\$ 373,760
 <b>Liabilities:</b>	
Accounts payable . . . . .	\$ 186,141
Accrued wages and benefits payable . . . . .	5,331
Compensated absences payable . . . . .	1,423
Intergovernmental payable . . . . .	219,856
Due to Fiscal Agent . . . . .	178,535
Total liabilities . . . . .	591,286
 <b>Deferred inflows of resources:</b>	
Intergovernmental revenue not available . . . . .	231,060
 <b>Fund balances:</b>	
Nonspendable . . . . .	655
Unassigned (deficit) . . . . .	(449,241)
Total fund balances (deficit) . . . . .	(448,586)
 Total liabilities, deferred inflows of resources and fund balances . . . . .	 \$ 373,760

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2018

<b>Total governmental fund balance (deficit)</b>	\$	(448,586)
 <i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
 Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.		
Intergovernmental receivable		231,060
 The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in the governmental funds:		
Deferred outflows of resources - pension	126,931	
Deferred inflows of resources - pension	(29,895)	
Net pension liability.	(127,544)	
Total		(30,508)
 The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in the governmental funds:		
Deferred outflows of resources - OPEB	57,924	
Deferred inflows of resources - OPEB	(6,148)	
Net OPEB liability.	(82,530)	
Total		(30,754)
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		(33,600)
<b>Net position (deficit) of governmental activities</b>	<b>\$</b>	<b>(312,388)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<b>General</b>
<b>Revenues:</b>	
Intergovernmental . . . . .	\$ 3,843,279
Other . . . . .	270,855
Total revenues . . . . .	4,114,134
 <b>Expenditures:</b>	
Current:	
Human Services:	
Employment and Training Program . . . . .	3,755,952
Net change in fund balance . . . . .	358,182
<b>Fund balance (deficit) at beginning of year . . . . .</b>	<b>(806,768)</b>
<b>Fund balance (deficit) at end of year . . . . .</b>	<b>\$ (448,586)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

<b>Net change in fund balance - total governmental fund</b>	\$	358,182
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental revenues		(99,765)
 Contractually required pension contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
		26,454
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(70,924)
 Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		(31,828)
 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.		
		<u>(8,091)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>174,028</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY**

The Workforce Innovation and Opportunity Act of 2014 (WIOA) is a federally funded program that provides employment and job training services to eligible adults, dislocated workers and youth. The United States Department of Labor (DOL) is the federal agency responsible for the program. The Ohio Department of Job and Family Services (ODJFS) is the oversight agency for the State of Ohio. The ODJFS has designated Summit and Medina Counties as Local Workforce Area 2 (Area 2) for the purposes of providing services under WIOA.

The WIOA envisions a workforce development system that is focused on job seekers, businesses and the needs of regional economics, and requires workforce development boards and chief elected officials to design and govern the system regionally, aligning workforce policies and services with regional economics and supporting service delivery strategies tailored to those needs. Area 2 administers Summit and Medina County workforce development activities.

Summit and Medina Workforce Area Council of Governments (the “COG”) was established in accordance with Ohio Revised Code 167 to provide the governance structure for the Area 2 to carry out its mandated functions of planning, contracting and assessing workforce development programs and to more clearly establish that local elected officials have ultimate responsibility for the WIOA funds.

Summit and Medina Counties are the sole members of the COG. Each county has a single seat of representation on the COG’s Board. The primary representative serving in these seats shall be one of the Medina County Commissioners and the Summit County Executive.

In accordance with the 2018/19 Subgrant Agreement by and between ODJFS and Area 2, the Summit County Office of Finance and Budget is designated by the COG as the Fiscal Agent for the purposes of administration and disbursement of WIOA funds. The Summit County Department of Job and Family Services (SCDJFS), an agency that is under the governance of the County Executive and the Summit County Council, serves as a sub-fiscal agent for Area 2, paying invoices as approved by the COG office and producing budget reports for both the Area’s Workforce Development (WDB) and COG Boards. A system of two fiscal agents was created to provide for checks and balances, due foremost to SCDJFS serving as the One-Stop Operator for Area 2’s OhioMeansJobs Summit County center. Additionally, it intends to prevent any conflicts of interest with the State of Ohio’s creation of the Comprehensive Case Management Employment Program (CCMEP) which requires a local Area WDB designate that its WIOA youth funds can be used for implementation of CCMEP by a CCMEP Lead Agency for which SCDJFS was named by the Summit County Executive.

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*. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the COG are not misleading. On this basis, no governmental organizations other than the COG itself are included in the financial reporting entity. The COG is considered a component unit of Summit County for reporting purposes.

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

The financial statements of the COG have been prepared in conformity with generally accepted accounting principles (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 reporting principles. The more significant of the COG's accounting policies are described below.

**A. Basis of Presentation**

The COG'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 COG as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the COG that are governmental and those that are considered business-type. The COG, however, does not have business-type activities.

The statement of net position presents the financial condition of the governmental activities of the COG at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the COG'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 COG, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program self-financing or draws from the general revenues of the COG.

*Fund Financial Statements* - During the year, the COG segregates transactions related to certain COG 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 COG at this more detailed level. The COG only has one fund, the general fund.

**B. Fund Accounting**

*Governmental Funds* - Governmental funds focus 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 repaid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the COG's only governmental fund:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to COG for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**C. Measurement Focus**

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

***Fund Financial Statements*** - The general fund is 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 generally are included on the balance sheet.

The statement of revenues, expenditures and changes in fund balance 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 reconciliations with brief explanations to better identify the relationship between governmentwide statements and the statements for the governmental funds.

**D. 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. The general fund uses the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a 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 COG, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the COG receives value without directly giving equal value in return, include grants, entitlements and donations. 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 COG must provide resources to be used for a specified purpose, and expenditure requirements, in which the resources provided to the COG 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, interest and grants revenue sources are considered to be both measurable and available at year-end.

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

*Deferred Inflows of Resources and Deferred Outflows of Resources* - In addition to assets, the statement of net position will sometimes 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 COG, deferred outflows of resources are reported on the government-wide statement of net position for the net pension liability and net OPEB liability and are explained in Note 7 and Note 8, respectively.

In addition to liabilities, the statement of net position reports 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 COG, 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 COG, unavailable revenue includes intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the COG, see Notes 7 and 8 for deferred inflows of resources related to the COG's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is 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.

**E. Budgetary Data**

The COG is not bound by the budgetary laws prescribed by the Ohio Revised Code for governmental entities.

The budgetary process that is followed by the COG is for control purposes and is set forth in its Control Policies. The annual organizational budget must be completed at least thirty days prior to the end of the preceding fiscal year and approved by the Board of Directors no later than the end of the preceding fiscal year. In the absence of an annual organizational budget, the Executive Director lacks the authority and the official capacity to make any financial decisions for the organization.

**F. Cash and Cash Equivalents**

The Summit County Fiscal Officer is the custodian for the COG's cash. The COG's assets are held in Summit County's cash and investment pool and are valued at the County's reported carrying amount.

**G. Capital Assets**

The COG does not own any capital assets. All capital assets used by the COG are owned by either Summit or Medina County.



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

**H. Compensated Absences**

Vacation 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 that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the COG has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at year end, taking into consideration any limits specified in the COG's termination policy.

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

**I. Prepays**

Amounts recorded for prepaid items represent the unamortized portion of insurance policies that expire in 2019 or later. Governmental funds use the purchase method of accounting whereby insurance is recognized as an expenditure when purchased.

**J. 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.

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

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

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 fund. However, compensated absences are reported as a liability in the fund financial statements only to the extent payments come due each period upon the occurrence of employee resignations and retirements.

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

**L. Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the COG classifies its fund balance based on the purpose for which the resources were received, and the level of constraint placed on the resources. 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 or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is 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 (ordinance) of COG. Those committed amounts cannot be used for any other purpose unless the COG removes or changes the specified use by taking the same type of action (ordinance) 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 COG for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by COG. The COG may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The COG applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are 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.

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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 their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Estimates**

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

**NOTE 3 - FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the COG is bound to observe constraints imposed upon the use of the resources in the governmental fund. At year-end, the COG reported \$655 in nonspendable fund balance related to prepaid assets and the remaining unassigned fund balance was a deficit of \$449,241.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The Summit County Fiscal Officer maintains a cash pool used by all of the Summit County's funds, including those of the COG. The Ohio Revised Code prescribes allowable deposits and investments. Summit County, as the fiscal agent, is responsible for maintaining adequate depositor collateral for all funds in the County's pooled cash and deposit accounts.

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2018, consisted of intergovernmental receivables and accounts receivable.

Intergovernmental receivables represent amounts due the COG from the Ohio Department of Jobs and Family Services for grant funds earned but not received and for Memorandum of Understanding (MOU) receipts due the COG from government agency MOU Partners. Accounts receivable represent MOU receipts due the COG from non-government agency MOU Partners.

MOU receipts are reimbursements from MOU Partners (both government agency partners and non-government agency partners) for operation of both the Medina and Summit OhioMeansJobs Centers and are calculated based upon Full Time Equivalent (FTE) count and actual expenses.

All receivables are considered fully collectible and expected to be received within one year.

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**NOTE 6 - COMPENSATED ABSENCES**

Vacation is accumulated at varying rates ranging from two to five weeks per year depending on length of service. Accumulated vacation may be carried over into the next year. However, the maximum amount allowed to carry forward is three times the employee's annual accrual rate, which is based on years of service. However, unused vacation at the time of retirement or termination of employment cannot exceed three times the annual accrual rate.

This maximum payment of accumulated vacation time would be equal to 600 hours. All employees earn sick leave at the rate of 4.6 hours for each 80 hours of work completed. Sick leave vests with 10 years' service at age 60, 25 years' service at age 55- or 30-years' service at any age. Although the sick leave vests as noted above, the COG records a liability for sick leave for all employees with service time of more than 14 years (including prior service with other governmental agencies). Employees are paid at one-half of the accumulated sick time up to a maximum payment equal to 720 hours. All sick leave and vacation payments are made at employees' current wage rates.

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

*Net Pension Liability*

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

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

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

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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**NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)**

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

Plan Description - COG 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. COG 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 were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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

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

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**NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)**

When a benefit recipient has received benefits for 12 months, an annual Cost Of Living Adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% 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 2.25%.

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 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

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

	State and Local
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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**NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)**

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

The COG's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$26,454 for 2018. Of this amount, \$2,863 is reported as intergovernmental payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. The COG's proportion of the net pension liability was based on the COG's share of contributions to the pension plan relative to the contributions of all participating entities.

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

	<u>OPERS- Traditional</u>
Proportion of the net pension liability prior measurement date	0.00000000%
Proportion of the net pension liability current measurement date	<u>0.00081300%</u>
Change in proportionate share	<u>0.00081300%</u>
Proportionate share of the net pension liability	\$ 127,544
Pension expense	70,924

At December 31, 2018, the COG 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>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 130	\$ -	\$ 130
Changes of assumptions	15,243	-	15,243
Changes in employer's proportionate percentage/ difference between employer contributions and proportionate share of contributions	85,104	-	85,104
COG contributions subsequent to the measurement date	21,048	5,406	26,454
Total deferred outflows of resources	<u>\$ 121,525</u>	<u>\$ 5,406</u>	<u>\$ 126,931</u>

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**NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)**

	OPERS- Traditional	OPERS- Combined	Total
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 2,514	\$ -	\$ 2,514
Net difference between projected and actual earnings on pension plan investments	27,381	-	27,381
Total deferred inflows of resources	<u>\$ 29,895</u>	<u>\$ -</u>	<u>\$ 29,895</u>

\$26,454 reported as deferred outflows of resources related to pension resulting from COG contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019.

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

Year Ending December 31:	OPERS- Traditional
2019	\$ 54,964
2020	38,925
2021	(12,057)
2022	(11,250)
Total	<u>\$ 70,582</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, 2017, 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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**NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)**

Wage inflation	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
Investment rate of return	7.50%
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 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 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 2017, 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 16.82% for 2017.

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.

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**NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)**

The table below displays the Board-approved asset allocation policy for 2017 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	23.00 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
<b>Total</b>	<b>100.00 %</b>	<b>5.66 %</b>

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the COG's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the COG's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the COG'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 (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
COG's proportionate share of the net pension liability: Traditional Plan	\$ 226,486	\$ 127,544	\$ 45,056

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - DEFINED BENEFIT OPEB PLAN**

*Net OPEB Liability*

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.

The net OPEB liability represents the COG'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 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 COG's obligation for this liability to annually required payments. The COG cannot control benefit terms or the manner in which OPEB are financed; however, the COG does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability 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. Resulting adjustments to the net OPEB liability 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 on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable 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.

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**NOTE 8 - DEFINED BENEFIT OPEB PLAN - (Continued)**

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 the 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.

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. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both 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 2018 was 4.0 percent.

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

The COG did not have any contractually required contribution to OPERS to fund health care for 2018.

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**NOTE 8 - DEFINED BENEFIT OPEB PLAN - (Continued)**

***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, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The COG's proportion of the net OPEB liability was based on the COG'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:

	OPERS
Proportion of the net OPEB liability prior measurement date	0.00000000%
Proportion of the net OPEB liability current measurement date	0.00076000%
Change in proportionate share	0.00076000%
Proportionate share of the net OPEB liability	\$ 82,530
OPEB expense	\$ 31,828

At December 31, 2018, the COG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
<b>Deferred outflows of resources</b>	
Differences between expected and actual experience	\$ 64
Changes of assumptions	6,009
Changes in employer's proportionate percentage/ difference between employer contributions and proportionate share of contributions	51,851
Total deferred outflows of resources	\$ 57,924

	OPERS
<b>Deferred inflows of resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$ 6,148

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**NOTE 8 - DEFINED BENEFIT OPEB PLAN - (Continued)**

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
2019	\$ 26,157
2020	26,157
2021	999
2022	(1,537)
Total	\$ 51,776

***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 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, 2016, rolled forward to the measurement date of December 31, 2017. 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:

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	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial
	3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - DEFINED BENEFIT OPEB PLAN - (Continued)**

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 2017, 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 15.2 percent for 2017.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - DEFINED BENEFIT OPEB PLAN - (Continued)**

The table below displays the Board-approved asset allocation policy for 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

**Discount Rate** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. 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 6.50 percent and a municipal bond rate of 3.31 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the COG's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the COG's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the COG's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
COG's proportionate share of the net OPEB liability	\$ 109,645	\$ 82,530	\$ 60,595



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**NOTE 8 - DEFINED BENEFIT OPEB PLAN - (Continued)**

*Sensitivity of the COG'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 1.0 percent lower or 1.0 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 2018 is 7.50 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.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
COG's proportionate share of the net OPEB liability	\$ 78,964	\$ 82,530	\$ 86,214

**NOTE 9 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations during the year ended December 31, 2018 consisted of the following:

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Due within One Year
Compensated Absences	\$ 25,509	\$ 20,010	\$ (10,496)	\$ 35,023	\$ 18,193
Net Pension Liability	-	127,544	-	127,544	-
Net OPEB Liability	-	82,530	-	82,530	-
<b>Total</b>	<b>\$ 25,509</b>	<b>\$ 230,084</b>	<b>\$ (10,496)</b>	<b>\$ 245,097</b>	<b>\$ 18,193</b>

Net Pension Liability and Net OPEB Liability - The COG's net pension liability and net OPEB liability is described in Notes 7 and 8, respectively. The COG pays obligations related to employee compensation from the general fund.

Compensated Absences - Compensated absences will be paid from the general fund. See Note 6 for detail on compensated absences.

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**NOTE 10 – RISK MANAGEMENT**

The COG 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. During 2018, the COG maintained suitable insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current year.

**NOTE 11 – CONTINGENCIES**

The COG receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2018 will not have a material adverse effect on the COG.

The COG was not a defendant in any lawsuits at year end.

**NOTE 12 – COMMITMENTS**

The COG utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance if not reflected as payables. At year end, the COG's commitments for encumbrances in the general fund were \$428,570.

**NOTE 13 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For 2018, the COG has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 required a restatement of net position as previously reported at December 31, 2017. In addition, the implementation of GASB Statement No. 75 effected the COG's postemployment benefit plan disclosures, as presented in Note 8 to the basic financial statements and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the COG.

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**NOTE 13 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the COG.

**Restatement of Net Position**

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at December 31, 2017 have been restated as follows:

	Governmental Activities
Net position (deficit) as previously reported	\$ (487,490)
Deferred outflows - payments subsequent to measurement date	1,074
Restated net position (deficit) at January 1, 2018	\$ (486,416)

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

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REQUIRED SUPPLEMENTARY INFORMATION

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
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SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST ONE YEAR

	<b>2018</b>
<i>Traditional Plan:</i>	
COG's proportion of the net pension liability	0.000813%
COG's proportionate share of the net pension liability	\$ 127,544
COG's covered payroll	\$ 107,400
COG's proportionate share of the net pension liability as a percentage of its covered payroll	118.76%
Plan fiduciary net position as a percentage of the total pension liability	84.66%

Note: The COG began operations on July 1, 2017. 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 COG's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
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SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COG PENSION CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<b>2018</b>	<b>2017</b>
<i>Traditional Plan:</i>		
Contractually required contribution	\$ 21,048	\$ 13,962
Contributions in relation to the contractually required contribution	(21,048)	(13,962)
Contribution deficiency (excess)	\$ -	\$ -
COG's covered payroll	\$ 150,343	\$ 107,400
Contributions as a percentage of covered payroll	14.00%	13.00%
 <i>Combined Plan:</i>		
Contractually required contribution	\$ 5,406	\$ -
Contributions in relation to the contractually required contribution	(5,406)	-
Contribution deficiency (excess)	\$ -	\$ -
COG's covered payroll	\$ 38,614	\$ -
Contributions as a percentage of covered payroll	14.00%	13.00%

Note: The COG began operations on July 1, 2017. Information prior to 2018 for the combined plan was unavailable. 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

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST ONE YEAR

	<b>2018</b>
COG's proportion of the net OPEB liability	0.000760%
COG's proportionate share of the net OPEB liability	\$ 82,530
COG's covered payroll	\$ 107,400
COG's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.84%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%

Note: The COG began operations on July 1, 2017. 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 COG's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COG OPEB CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ -	\$ 1,074
Contributions in relation to the contractually required contribution	-	(1,074)
Contribution deficiency (excess)	\$ -	\$ -
COG's covered payroll	\$ 188,957	\$ 107,400
Contributions as a percentage of covered payroll	0.00%	1.00%

Note: The COG began operations on July 1, 2017. 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

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2018

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PENSION

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2018.

*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.

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OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2017-2018.

*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%.

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<i>(Passed through Ohio Department of Job and Family Services)</i>				
Employment Service Cluster:				
Employment Service/Wagner-Peyser Funded Activities - SFY18	17.207	G-1819-15-0173	\$	85,793
Employment Service/Wagner-Peyser Funded Activities - SFY19		G-1819-15-0173		19,175
Total Employment Service Cluster (CFDA 17.207)				<u>104,968</u>
Trade Adjustment Assistance - SFY18	17.245	G-1819-15-0173		15,939
Trade Adjustment Assistance - SFY19		G-1819-15-0173		3,032
Total Trade Adjustment Assistance (CFDA 17.245)				<u>18,971</u>
Workforce Innovation & Opportunity Act (WIOA) Cluster:				
WIOA Adult Program - Administration - PY16	17.258	G-1819-15-0173		15,442
WIOA Adult Program - FY17		G-1819-15-0173		8,061
WIOA Adult Program - Administration - FY17		G-1819-15-0173		97,761
WIOA Adult Program - PY17		G-1819-15-0173		693
WIOA Adult Program - Administration - PY17		G-1819-15-0173		15,390
WIOA Adult Program - FY18		G-1819-15-0173	\$ 32,724	297,650
WIOA Adult Program - Administration - FY18		G-1819-15-0173		36,963
WIOA Adult Program - PY18		G-1819-15-0173		15,822
WIOA Adult Program - OMJ Resource Sharing - SFY18		G-1819-15-0173		12,527
WIOA Adult Program - OMJ Resource Sharing - SFY19		G-1819-15-0173		725
Total WIOA Adult Program (CFDA 17.258)			<u>32,724</u>	<u>501,034</u>
WIOA CCMEP Youth Program - PY16	17.259	G-1819-15-0173	37,488	37,488
WIOA CCMEP Youth Program - PY17		G-1819-15-0173	534,427	797,492
WIOA CCMEP Youth Program - Administration - PY17		G-1819-15-0173		113,344
WIOA CCMEP Youth Program - PY18		G-1819-15-0173	97,302	104,272
Total WIOA Youth Program (CFDA 17.259)			<u>669,217</u>	<u>1,052,596</u>
WIOA Dislocated Worker Program - PY16	17.278	G-1819-15-0173	2,738	2,738
WIOA Dislocated Worker Program - Administration - PY16		G-1819-15-0173		5,612
WIOA Dislocated Worker Program - FY17		G-1819-15-0173	547,532	643,327
WIOA Dislocated Worker Program - Administration - FY17		G-1819-15-0173		80,021
WIOA Dislocated Worker Program - PY17		G-1819-15-0173	89,535	127,356
WIOA Dislocated Worker Program - FY18		G-1819-15-0173	444,992	496,236
WIOA Dislocated Worker Program - OMJ Resource Sharing - SFY18		G-1819-15-0173		17,467
WIOA Dislocated Worker Program - OMJ Resource Sharing - SFY19		G-1819-15-0173		758
Total WIOA Dislocated Worker (CFDA 17.278)			<u>1,084,797</u>	<u>1,373,515</u>
Total WIOA Cluster			1,786,738	2,927,145
Workforce Innovation Fund - Wage Pathway Model - SFY18	17.283	G-1819-15-0173		215,773
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<u><b>1,786,738</b></u>	<u><b>3,266,857</b></u>

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
(A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>(Passed through Ohio Department of Job and Family Services)</i>				
Temporary Assistance for Needy Families (TANF) Cluster:				
Ohio Works Incentive Program - FY17	93.558	G-1819-15-0173	20,500	20,500
Ohio Works Incentive Program - FY18		G-1819-15-0173	196,500	196,500
Total TANF Cluster (CFDA 93.558)			217,000	217,000
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>217,000</b>	<b>217,000</b>
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>			<b>\$ 2,003,738</b>	<b>\$ 3,483,857</b>

THE ACCOMPANYING NOTES ARE AN INTERGRAL PART OF THIS SCHEDULE.

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF  
GOVERNMENTS (A COMPONENT UNIT OF SUMMIT COUNTY)  
SUMMIT COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR  
200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Summit and Medina Workforce Area Council of Governments (the "COG") under programs of the federal government for the year ended December 31, 2018. 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 COG, it is not intended to and does not present the financial position or changes in net position of the COG.

**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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The COG has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - SUBRECIPIENTS**

The COG passes certain federal awards received from the U.S. Department of Labor to other governments or not-for-profit agencies (subrecipients). As Note B describes, the COG reports expenditures of Federal awards to subrecipients when paid in cash. As a subrecipient, the COG has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE D - MATCHING REQUIREMENTS**

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

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# OHIO AUDITOR OF STATE KEITH FABER



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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

Summit and Medina Workforce Area Council of Governments  
Summit County  
175 South Main Street, Suite 207  
Akron, Ohio 44308

To the Board:

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 the major fund of the Summit and Medina Workforce Area Council of Governments, Summit County, (the COG), a component unit of Summit County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the COG's basic financial statements and have issued our report thereon dated September 25, 2019.

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

As part of our financial statement audit, we considered the COG's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the COG'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 COG'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2018-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the COG'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*.

***COG's Response to Finding***

The COG's response to the finding identified in our audit is described in the accompanying schedule of findings and / or corrective action plan. We did not subject the COG'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 COG's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the COG's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

September 25, 2019



# OHIO AUDITOR OF STATE KEITH FABER



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

Summit and Medina Workforce Area Council of Government  
Summit County  
175 South Main Street, Suite 207  
Akron, Ohio 44308

To the Board:

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

We have audited the Summit and Medina Workforce Area Council of Government's (the COG) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Summit and Medina Workforce Area Council of Government's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the COG's major federal program.

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

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

### ***Auditor's Responsibility***

Our responsibility is to opine on the COG's compliance for the COG's major federal program 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 COG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the Summit and Medina Workforce Area Council of Governments complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2018.

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

The COG'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 COG'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 COG'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

September 25, 2019

**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2018**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Workforce Investment act (WIA)/Workforce Innovation and Opportunity Act (WIOA) Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

**Financial Reporting**

**FINDING NUMBER 2018-001**

SIGNIFICANT DEFICIENCY

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.

Financial reporting is the responsibility of the Summit and Medina Workforce Area Council of Governments (COG) and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The COG did not have policies and procedures in place for certain financial statement accounts, which led to the following proposed reclassifications to the financial statements:

- The financial statements reported \$244,060 of receipts from non-governmental MOU partners as intergovernmental revenue rather than other revenue. The financial statements were updated to reflect this reclassification.
- The financial statements reported \$92,203 of receivables from non-governmental MOU partners as intergovernmental receivable rather than accounts receivable. Also, \$26,795 of this receivable amount was received within the available period was reported as intergovernmental revenue rather than other revenue. The financial statements were updated to reflect this reclassification.

To help ensure the COGs financial statements are complete and accurate, the COG should adopt policies and procedures to identify and correct errors and omissions. In addition, the COG should review the financial statements and notes prior to submission for audit.

**Official's Response: See corrective action plan**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**DECEMBER 31, 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	The COG overstated intergovernmental revenue and non-payroll expenditures due to including Medina County revenue and expenditures.	Partially corrected	The COG overstated intergovernmental revenue due to including other receipts. The Financial Statements have been adjusted

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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**DECEMBER 31, 2018**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2018-001	The SAMWA COG Fiscal Agent will ensure MOU revenues/receivables are identified and categorized separately from intergovernmental revenue/receivable in all future financial statements. Entries were made to reclassify the revenues/receivables in the 2018 Statements.	9/23/19	Phil Montgomery, SCDJFS Chief Financial Officer

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 10, 2019**