



Dave Yost • Auditor of State

**BUCKEYE HILLS REGIONAL COUNCIL
WASHINGTON COUNTY
JUNE 30, 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Notes to the Basic Financial Statements	19
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability (Asset) - Ohio Public Employees Retirement System (OPERS) - Last Four Years	41
Schedule of Contributions - Ohio Public Employees Retirement System (OPERS) – Last Four Years	42
Schedule of Expenditures of Federal Awards	45
Notes to the Schedule of Expenditures of Federal Awards.....	47
Supplementary Information Required by the Ohio Department of Aging:	
Schedule A – Details of Statement of Financial Position – Modified Accrual Program Year Ending June 30, 2017	49
Schedule A – Details of Statement of Financial Position – Modified Accrual Program Year Ending December 31, 2016	50
Schedule B – Details of Statement of Activities – Modified Accrual Program Year Ending June 30, 2017	53
Schedule B – Details of Statement of Activities – Modified Accrual Program Year Ending December 31, 2016	54

**BUCKEYE HILLS REGIONAL COUNCIL
WASHINGTON COUNTY
JUNE 30, 2017**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Prepared by Management (Continued):	
Supplementary Information Required by the Ohio Department of Aging (Continued):	
Schedule C – Summary of Unearned Cash and Undrawn Cash Balance.....	56
Schedule D – Allocation of Interest Earned for the Fiscal Year Ending June 30, 2017.....	57
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance.....	61
Schedule of Findings.....	63
Prepared by Management:	
Corrective Action Plan.....	65



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Buckeye Hills Regional Council
Washington County
1400 Pike Street
Marietta, Ohio 45750

To the Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Hills Regional Council, Washington County, Ohio (the Council), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council'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 Council'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 Council's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Hills Regional Council, Washington County, Ohio, as of June 30, 2017, and the respective changes in financial position and 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 Liabilities and Pension Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance

Supplementary and Other Information

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

Schedules A through D present additional analysis intended for the Ohio Department of Aging and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S.

Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of the Council'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 Council's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 29, 2018

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**BUCKEYE HILLS REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Buckeye Hills Regional Council's (the Council) financial performance provides an overall review of the Council's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Beginning in 2017, the financial statements present The Appalachian Development Corporation, a component unit of the Council, over which the Council exercises significant control, as a blended entity. The Appalachian Development Corporation (the Corporation) is a not-for-profit corporation.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- Net position of governmental activities decreased by \$1,029,450.
- Intergovernmental revenues in the form of federal and state grant funds for governmental activities accounted for \$20,427,691 in revenue, or 91.9 percent of all governmental revenues. Program specific revenues in the form of charges for services accounted for \$1,708,991, or 7.7 percent of total revenues of \$22,238,585.
- The Council had \$23,200,625 in expenses related to governmental activities; all except \$1,161,132 of these expenses were offset by program-specific charges for services, grants, and contributions. General revenues of \$101,903 offset this amount.
- No new loans were made from the Revolving Loan Fund in the current year.

USING THIS ANNUAL FINANCIAL REPORT

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

The statement of net position and statement of activities provide information about the activities of the whole agency, presenting both an aggregate view of the Council'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 Council's most significant funds with all other non-major funds presented, in total, in one column.

REPORTING THE COUNCIL AS A WHOLE

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the Council to provide programs and activities for citizens, the view of the Council as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**BUCKEYE HILLS REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

These two statements report the Council's net position and changes in position. This change in net position is important because it tells the reader that, for the Council as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the availability of federal and state grant funding, continued support from member governments, and other factors.

REPORTING THE COUNCIL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Council's major funds is included in the fund financial statements. Fund financial statements provide detailed information about the Council's major funds. The Council uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Council's most significant funds. The Council's major governmental funds are the General fund, Revolving Loan fund, and Medicaid fund.

Governmental Funds - The Council's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Council's general 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 the Council's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

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. The notes to the basic financial statements can be found on pages 19 to 38 of this report.

Government-Wide Financial Analysis

Recall that the statement of net position provides the perspective of the Council as a whole. Table 1 provides a summary of the Council's net position as of June 30, 2017, compared to the year ended June 30, 2016. The Council has only governmental funds.

**BUCKEYE HILLS REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

**TABLE 1
NET POSITION**

	2017	2016
Assets		
Current and Other Assets	\$4,455,647	\$4,017,075
Capital Assets, Net	1,813,041	1,037,502
Net Pension Asset	16,068	9,484
Loans Receivable, Net	197,464	558,980
Total Assets	6,482,220	5,623,041
Total Deferred Outflows of Resources	2,106,744	1,516,435
Liabilities		
Current and Other Liabilities	2,386,064	2,150,714
Net Pension Liability	5,392,540	3,843,241
Other Long-Term Liabilities	1,669,055	1,341,918
Total Liabilities	9,447,659	7,335,873
Total Deferred Inflows of Resources	121,222	221,417
Net Position		
Net Investment in Capital Assets	294,598	(143,927)
Restricted	1,473,785	1,473,782
Unrestricted (Deficit)	(2,748,300)	(1,747,669)
Total Net Position	(\$979,917)	(\$417,814)

Please see the section titled "Accounting and Financial Reporting for Pension", as well as Note 3 of the financial statements, for a more complete discussion of the net pension asset, net pension liability, deferred outflows and deferred inflows related to pensions.

Total assets increased \$859,179. Loans receivable decreased by \$361,516 representing principal repayments on loans and the charge-off of uncollectible loan principal exceeding the amount of new loans granted. Cash and cash equivalents increased by \$614,813. Cash in the revolving loan fund increased due to the reduction in outstanding loans and cash in other funds increased due to more advance funding of grants. Grants receivable decreased \$224,965, due primarily to a decrease in receivables related to funds other than Medicaid. Total liabilities increased \$2,111,786, primarily the result of an increase in Net Pension Liability.

**BUCKEYE HILLS REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

Table 2 shows the changes in net position for the fiscal year ended June 30, 2017, compared to the fiscal year ended June 30, 2016.

**TABLE 2
CHANGE IN NET POSITION**

	2017	2016
Revenues		
Program Revenues:		
Charges for Services	\$1,708,991	\$3,046,582
Operating Grants and Contributions	20,427,691	19,891,152
Total Program Revenues	22,136,682	22,937,734
General Revenues:		
Interest Income	16,669	20,522
Miscellaneous	85,234	353,831
Total General Revenues	101,903	374,353
Total Revenues	22,238,585	23,312,087
Expenses		
General Government	23,200,625	23,642,846
Interest	67,410	51,372
Total Expenses	23,268,035	23,694,218
Change in Net Position	(1,029,450)	(382,131)
Net Position, Beginning of Year, restated per Note 10	49,533	(35,683)
Net Position, End of Year	(\$979,917)	(\$417,814)

In fiscal years 2017 and 2016, 91.9% and 85.3% percent of the Council's revenues were from operating grants and contributions.

Program revenues accounted for nearly all the Council's revenues in both fiscal years. These revenues consist of various federal and state grants and charges for services, including interest on revolving loan fund loans.

Net position decreased in 2017 primarily because of an increase in net pension liability of \$1,549,299 offset by an increase of deferred outflows of resources related to pensions of \$590,309.

General government activities account for almost 100 percent of total program expenses with interest expense accounting for the remaining portion of expenses.

**BUCKEYE HILLS REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

THE COUNCIL'S FUNDS

The Council's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,470,713 and expenditures of \$22,822,556, resulting in a decrease in total fund balances of \$351,843. The Council's major funds consist of the General, Revolving Loan, Medicaid, and the Appalachian Development Corporation fund.

The General Fund had an excess of expenditures over revenues of \$29,934 in 2017, compared to the revenues exceeding expenditures by \$101,397 during fiscal year 2016.

The Revolving Loan Fund's expenditures exceeded its revenues by \$147,199 for 2017.

ECONOMIC FACTORS

The Council is currently operating within its means. However, the Council's ability to attract administrative and program funds for its projects is heavily dependent upon the federal and state governments and the availability of grant funds. Nearly all the Council's funds come from federal and state grants. The Council operates within a designated eight-county area of Southeastern Ohio. Loans made through the Revolving Loan Fund are to businesses within this area. The ability of borrowers to repay these loans is largely contingent upon the business economy in the eight-county area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the Council had \$1,813,041 invested in land, building, office equipment, land improvements, and computer equipment. Table 3 shows the fiscal year 2017 balances as compared to 2016.

**TABLE 3
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)**

	Governmental Activities	
	2017	2016
Land	\$369,100	\$369,100
Building	1,314,260	1,169,736
Land Improvements	64,500	73,100
Office Equipment	15,260	20,560
Computer Equipment	49,921	26,276
Total	\$1,813,041	\$1,658,772

Changes in capital assets from the prior year resulted from additions, deletions, and depreciation expense. See Note 5 to the basic financial statements for more detailed information on the Council's capital assets. The Council's significant capital asset additions included computer software.

**BUCKEYE HILLS REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

During 2015, the Council adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Council's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

**BUCKEYE HILLS REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

As a result of implementing GASB 68, the Council is reporting a net pension asset, net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Council's finances for all those with an interest in the Council's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Denise Keyes, Fiscal Director, 1400 Pike Street, Marietta, Ohio 45750.

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BUCKEYE HILLS REGIONAL COUNCIL
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,780,162
Deposits in Loan Escrow Account	97,412
Prepaid Items	107,282
Loans Receivable, Net	197,464
Accrued Interest Receivable	1,506
Grants Receivable	1,469,285
Noncurrent Assets	
Net Pension Asset	16,068
Nondepreciable Capital Assets	369,100
Depreciable Capital Assets, Net	1,443,941
<i>Total Assets</i>	6,482,220
DEFERRED OUTFLOWS OF RESOURCES	
<i>Pension</i>	2,106,744
LIABILITIES	
Current Liabilities	
Accounts Payable	1,708,069
Accrued Wages and Benefits	184,303
Contractual Advances	458,398
Long-Term Liabilities	
Due within One Year	35,294
Due in More than One Year	
Pension	5,392,540
Other Amounts Due in More than One Year	1,669,055
<i>Total Liabilities</i>	9,447,659
DEFERRED INFLOWS OF RESOURCES	
Pension	121,222
NET POSITION	
Net Investment in Capital Assets	294,598
Restricted for:	
Loans	1,473,785
Unrestricted (Deficit)	(2,748,300)
<i>Total Net Position</i>	(\$979,917)

See accompanying notes to the financial statements.

BUCKEYE HILLS REGIONAL COUNCIL
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	<u>Program Revenues</u>		<u>Net Expense and Change in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General Government	\$23,200,625	\$1,708,991	\$20,427,691	(\$1,063,943)
Interest	67,410	0	0	(67,410)
Total Governmental Activities	<u>\$23,268,03</u>	<u>\$1,708,99</u>	<u>\$20,427,69</u>	<u>(1,131,353)</u>
		General Revenues		
				16,669
				<u>85,234</u>
			<i>Total General Revenues</i>	<u>101,903</u>
			Change in Net Position	(1,029,450)
			<i>Net Position, Beginning of Year - Restated</i>	<u>49,533</u>
			<i>Net Position, End of Year</i>	<u><u>(\$979,917)</u></u>

See accompanying notes to the financial statements.

BUCKEYE HILLS REGIONAL COUNCIL
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Revolving Loan Fund	Medicaid Fund	Appalachian Development Corporation	Other Governmental Funds	Total Governmental Funds
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$916,815	\$1,128,060	\$471,232	\$87,770	\$176,285	\$2,780,162
Deposits in Loan Escrow Account	0	0	0	97,412	0	97,412
Grants Receivable	24,246	0	1,150,451	0	294,588	1,469,285
Rent Receivable	0	0	0	19,344	0	19,344
Due from Other Funds	92,435	0	0	0	0	92,435
Prepays	65,891	0	26,779	0	14,612	107,282
Accrued Interest Receivable	0	1,506	0	0	0	1,506
Loans Receivable, Net	0	197,464	0	0	0	197,464
Total Assets	1,099,387	1,327,030	1,648,462	204,526	485,485	4,764,890
LIABILITIES						
Accounts Payable	84,942	448	1,495,375	0	146,648	1,727,413
Due to Other Funds	0	0	0	0	92,435	92,435
Accrued Wages and Benefits	23,439	0	120,829	0	40,035	184,303
Contractual Advances	219,773	0	32,258	0	206,367	458,398
Total Liabilities	328,154	448	1,648,462	0	485,485	2,462,549
FUND BALANCES						
Nonspendable	0	197,464	0	0	0	197,464
Restricted	0	1,129,118	0	204,526	0	1,333,644
Unassigned	771,233	0	0	0	0	771,233
Total Fund Balances	771,233	1,326,582	0	204,526	0	2,302,341
Total Liabilities and Fund Balances	\$1,099,387	\$1,327,030	\$1,648,462	\$204,526	\$485,485	\$4,764,890

See accompanying notes to the financial statements.

BUCKEYE HILLS REGIONAL COUNCIL
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances	\$2,302,341
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,813,041
The net pension asset and liability are not due and payable in the current period; therefore, the asset and liability and related deferred inflows and outflows are not reported in governmental funds.	
Net Pension Asset	16,068
Net Pension Liability	(5,392,540)
Deferred Outflows - Pension	2,106,744
Deferred Inflows - Pension	(121,222)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Mortgage Payable	(1,518,443)
Compensated Absences	(185,906)
Net position of governmental activities	(\$979,917)

See accompanying notes to the financial statements.

BUCKEYE HILLS REGIONAL COUNCIL
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Revolving Loan Fund	Medicaid Fund	Appalachian Development Corporation	Other Governmental Funds	Total Governmental Funds
Revenues						
Intergovernmental	\$85,076	\$0	\$17,470,693	\$0	\$2,870,442	\$20,426,211
Interest	0	15,940	536	193	0	16,669
Charges for Services	1,409,231	959	176,896	232,128	121,905	1,941,119
Contributions and Donations	1,230	0	0	0	63,454	64,684
Other	19,521	0	0	0	2,509	22,030
<i>Total Revenues</i>	<u>1,515,058</u>	<u>16,899</u>	<u>17,648,125</u>	<u>232,321</u>	<u>3,058,310</u>	<u>22,470,713</u>
Expenditures						
Current:						
General Government	1,515,447	164,098	17,625,643	120,347	3,042,158	22,467,693
Capital Outlay	0	0	0	190,348	0	190,348
Debt Service:						
Principal Retirement	7,291	0	5,549	28,926	3,986	45,752
Interest	22,254	0	16,933	67,410	12,166	118,763
<i>Total Expenditures</i>	<u>1,544,992</u>	<u>164,098</u>	<u>17,648,125</u>	<u>407,031</u>	<u>3,058,310</u>	<u>22,822,556</u>
<i>Net Change in Fund Balances</i>	(29,934)	(147,199)	0	(174,710)	0	(351,843)
<i>Fund Balances, Beginning of Year - Restated</i>	<u>801,167</u>	<u>1,473,781</u>	<u>0</u>	<u>379,236</u>	<u>0</u>	<u>2,654,184</u>
<i>Fund Balances, End of Year</i>	<u>\$771,233</u>	<u>\$1,326,582</u>	<u>\$0</u>	<u>\$204,526</u>	<u>\$0</u>	<u>\$2,302,341</u>

See accompanying notes to the financial statements.

BUCKEYE HILLS REGIONAL COUNCIL
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds (\$351,843)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets greater than \$5,000 is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	245,348
Depreciation	(91,079)

Repayment of capital leases is an expenditure in the governmental funds and a reduction of liabilities in the statement of net position.	45,752
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Except for amounts reported as deferred inflows/outflows, changes in net pension asset/liability are reported as pension expenses in the statement of activities.	(852,211)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported when due.	
Increase in Compensated Absences	<u>(25,417)</u>

<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$1,029,450)</u></u>
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See accompanying notes to the financial statements.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Buckeye Hills Regional Council (the Council) was created as an agency established by agreement among its members pursuant to Section 167.01-08 of the Ohio Revised Code. The Council is organized as a voluntary organization of local government political subdivisions in Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties to foster a cooperative effort in regional planning, programming, and implementing regional plans and programs. The Council is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policy and action recommendations relating thereto.

The functions of the Council are:

1. To foster, develop, and review plans for regional growth, development, and conservation; and to aid in coordinating plans among local governments.
2. To perform planning directly by personnel of the Council, or under contracts between the Council and other public and private planning agencies; to undertake studies, collect data, develop regional plans and programs, and engage in such other activities as the Council finds necessary or desirable for the solution of regional problems. Said planning and studies shall include, but will not be limited to, those relating to land use, transportation, housing, environmental controls, health, economic development, and community and public facilities.
3. To serve, upon the request of the local government, as a representative of such government in such matters as may affect the region as a whole.
4. To provide a continuing practical structural mechanism to promote communication and cooperation among area governmental units and agencies.
5. To review, evaluate, comment upon, and make recommendations relating to the planning and programming, and the location, financing, and scheduling of programs in the region through a public input process.
6. To administer programs as set forth in the Older Americans Act and other State, Federal and private programs that provide for services to the region's elderly.

The Council may perform common functions and services characteristic of its individual political subdivisions as described in ORC 167.03.

The Council may enter into special purpose contracts or agreements with one or more local government units or private non-profit organizations within the Council to act on their behalf in applying for, administering, and coordinating grants and contracts available for programs authorized by state and federal laws for physical, economic, and human resources planning and development.

The authority granted to the Council shall not displace any existing municipal, county, or regional planning commission in the exercise of its statutory powers.

Eligibility

All cities, counties, and county seats within the counties of Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington are eligible for membership in the Council. Membership may be extended to other local political subdivisions, government agencies, and quasi-governmental agencies located both within and outside the eight-county area if said membership is conducive to facilitating federal, state, or regional planning objectives. Also, temporary associate membership may be extended for a special project lying partially outside the boundaries of the eight-county area.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The latter membership's authorization shall be made upon majority approval of the General Policy Council's total membership.

Component units are legally separate organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization's Governing Board and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; (2) the Council is legally entitled to or can otherwise access the organization's resources; (3) the Council is legally obligated or has otherwise assumed the responsibility to finance deficits or provide financial support to the organization; or (4) the Council is obligated for the debt of the organization. Component units may also include organizations for which the Council approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. The Council has the following component unit.

Component Unit

The accompanying financial statements present The Appalachian Development Corporation, a component unit of the Council, over which the Council exercises significant control, as a blended entity. The Appalachian Development Corporation (the Corporation) is a not-for-profit corporation. The Corporation was established to provide financial assistance to new and developing businesses and industries. The Council appoints Board Members of the Corporation. The component unit balances blended and presented herein are as of the Corporation's fiscal year-end of September 30, 2017.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Council.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are prepared using the *economic resources measurement, focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement, focus*, and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when payable from current resources.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Council receives cash.

Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council only uses governmental funds.

Governmental Funds

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

The Council reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial resources of the Council except those accounted for in another fund. The General Fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio and the bylaws of the Council.

Revolving Loan Fund - The Revolving Loan Fund offers low interest loans to businesses within the Council's eight-county region. Such funds are to be used in the event that full financing cannot be obtained from a bank, or to fill the gap between bank financing and the financing necessary to complete a business project. Bank participation is required. The primary source of funding for the Revolving Loan Fund is from grants.

Medicaid Fund - The Medicaid Fund is used to account for the activities of the Pre-Admission Screening System Providing Options and Resources Today (PASSPORT) and Assisted Living programs. These are Ohio Medicaid waiver programs that provide in-home alternatives to nursing care for low-income seniors. The programs are jointly funded by the State of Ohio and the federal government.

Appalachian Development Corporation – The Appalachian Development Corporation is a blended component unit of the Council. The Corporation leases a building to the Council.

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 fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Council, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the Council receives value without directly giving equal value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the Council must provide local resources to be used for a specified purpose, and expenditures requirements in which the resources are provided to the Council on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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.

Cash and Cash Equivalents

To improve cash management, all cash received by the Council is pooled in central bank accounts. Monies for all funds are maintained in the account or temporarily used to purchase short term investments. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Council are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Council, deferred outflows of resources have been reported for the following two items related the Council's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Council's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the government-wide statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Council, deferred inflows of resources have been reported for the following two items related to the Council's net pension asset and liability: (1) the net difference between projected and actual earnings on pension plan investments related to the Council's net pension asset and liability, and (2) the net difference between the proportionate share of employer contributions and actual employer contributions.

Interfund Transactions

During the course of normal operations, the Council has transactions between funds. On the balance sheet, receivables and payables resulting from short-term interfund loans are classified as "due to/due from other funds." These amounts are eliminated on the statement of net position.

Capital Assets

General capital assets consist primarily of a building, office furnishings, and equipment and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. The assets are owned by the Council while used in the program for which they were purchased. The Ohio Department of Aging (ODA) has a reversionary interest in the assets purchased with funds which it provides. Disposition of these assets is subject to ODA regulations.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

All capital assets are capitalized at cost and updated for additions and retirements during the year. The Council maintains a capitalization threshold of \$5,000. The Council does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or extend the asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the following lives: office equipment - 3 to 5 years; computer equipment - 5 years; and building - 45 years.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the 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 (resolution) of the Council Board. Those committed amounts cannot be used for any other purpose unless the Council Board removes or changes the specified use by taking the same type of action (resolution) 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 Council 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 policies of the Council Board.

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.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

The Council 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.

Pensions

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

Net Position

Net position represents the difference between all other elements of the statement of net position. Net investment in capital assets consist of capital assets, net of accumulated depreciation reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by Council legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Council applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the Council's restricted net position of \$1,473,785, none is restricted by enabling legislation.

Estimates

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

Budgetary Process

Although a legal budget is not required, nor is a budgetary statement, budgets for expenditure of federal grants are submitted to, and approved by, the federal government agency at the time the grants are awarded.

The Council's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended June 30.

The Council's primary funding sources are federal and state grants which have grant periods that may or may not coincide with the Council's fiscal year. These grants normally are for a 12-month period; however, they can be awarded for periods shorter or longer than 12 months.

Because of the Council's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The Council's annual budget differs from that of most local governments in two respects: (1) the uncertain nature of grant awards from other entities and (2) conversion of grant budgets to a fiscal year basis.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The resultant annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimates;
- Changes in grant periods;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards that fail to materialize.

Management utilizes budgets for monitoring financial activity, but budgets are not formally approved by the Board. Therefore, budgetary comparison schedules are not presented.

2 CFR Part 225 (formerly Office of Management and Budget Circular A-87) provides for the establishment of cost pools which are to be distributed over the benefiting activity in some rational and equitable manner. The concept of indirect costs is introduced and defined as follows: "Indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited without effort disproportionate to the results achieved."

2 CFR Part 225 also provides the following basis options for the allocation of indirect costs accumulated in an indirect cost pool: (1) direct salary costs or (2) total direct costs, excluding items like large consulting contracts and capital expenditures.

The Council chose the direct salary cost method because management determined that the more salary costs a grant has, the more indirect costs the grant would have. Management and administrative salaries and indirect costs are allocated to the various programs using the actual rate as determined by the method shown in the Council's Cost Allocation Plan.

Loans Receivable/Allowance for Loan Losses

Loans receivable consist of long-term revolving loans to provide low-interest loans to businesses to create jobs in the region. The Appalachian Regional Commission and Economic Development Administration have granted money for these loans. An expenditure is recorded when the loan is made. The allowance for loan losses in the amount of \$8,330 at June 30, 2017, is based upon management's assessment of current and historical loss experience, loan portfolio trends, prevailing economic and business conditions, specific loan review, and other relevant factors. Specific allowances are established for any impaired loan for which the recorded investment in the loan exceeds the measured value of the loan. In management's opinion, the provision is sufficient to maintain the allowance for loan losses at a level that adequately provides for potential losses.

Compensated Absences

The following policies of the Council regarding leave accruals were followed:

Vacation Leave

Full-time employees earn vacation annually, on their hire date, on the following basis: 1 through 5 years of employment, 15 working days; 6 through 10 years of employment, 20 working days; 11 through 20 years, 25 working days; and 21 or more years, 30 working days.

If an employee has a balance of vacation leave at the end of their annual period, they may carry over up to 5 days with any hours above 5 days being lost.

After 6 months of employment, all employees may take an advance of up to 5 days of vacation leave that is charged to their first-year accrual of vacation leave.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

All employees are entitled to full payment of any unused vacation pay upon separation from the Council.

All employees who exercise the option of taking an advance of vacation against their first-year accrual are liable for repayment to the Council if they separate from service with the Council prior to one full year of employment.

Employees with 21 years and over of service have the option of receiving 5 days of pay and a reduction of vacation leave available by 5 days.

Sick Leave

Full-time employees, from the date of employment, shall earn leave at the rate of one and one-fourth days for each month worked, up to a maximum of 132 days.

All employees who accumulate sick leave hours in excess of 132 days will receive pay for accumulated leave on a ration of one-half of accumulated leave in excess of 132 days and will be calculated at the employee's current rate of pay at the end of each fiscal year.

Upon retirement within the Ohio Public Employees Retirement System (OPERS) system and with at least 10 years of service to the Council, an employee may elect to be paid in cash for one-fourth of the value of their accrued sick leave credit to a maximum of 33 days. Such payment shall be based on the employee's rate of pay at the time of retirement, and such payment may be made only once to any employee. The maximum payment which may be made under this shall be one-fourth of 132 days.

In the event of the death of an employee who has at least 10 years of service, payment of unused sick leave will be made to the employee's spouse or estate in the same manner as a retiring individual.

As of June 30, 2017, the Council had no employees eligible for retirement, thus no liability was recorded for sick leave severance.

Holidays

The Council has nine official holidays per year. Full-time employees are paid for these holidays; part-time employees are not paid.

Accrued Liabilities

All payables are reported in the government-wide financial statements. In general, governmental fund payables that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 2 - DEPOSITS AND INVESTMENTS

The investments and deposits of the Council are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Council to invest monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Council may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105 percent of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require that securities maintained for public deposits and investments be held in the Council's name. The Council is prohibited from investing in any financial instrument contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). The Council is also prohibited from investing in reverse repurchase agreements.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Council's deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as a specific collateral held at the Federal Reserve Bank in the name of the Council.

As of June 30, 2017, the bank balance of the Council's deposits was \$2,977,444. The entire bank balance was either covered by FDIC or collateralized by a pool of securities maintained by the Council's financial institutions, but not in the Council's name.

NOTE 3 – DEFINED BENEFIT PENSION PLAN

Net Pension Asset and Liability

The net pension asset and liability reported on the statement of net position represents an asset and a liability, respectively, 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 asset and liability represents the Council'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 asset and 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.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

The proportionate share of each plan's excess funded or unfunded benefits is presented as a long-term net pension asset or liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description

Plan Description - Council 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. Council employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional 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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Council’s contractually required contributions for the traditional and combined plans for 2017, 2016, and 2015 were \$347,200, 323,119, and 341,996, respectively. 92% has been contributed for 2017 and 100% for 2016 and 2015. Of the amount for 2017, \$28,984 is reported as intergovernmental payable.

	<u>Through 12/31/2016</u> <u>State and Local</u>	<u>Beginning 1/1/2017</u> <u>State and Local</u>
2016 Statutory Maximum Contribution Rates		
Employer	14.0%	14.0%
Employee	10.0%	10.0%
2016 Actual Contribution Rates		
Employer:		
Pension	12.0%	13.0%
Post-employment Health Care Benefits	<u>2.0%</u>	<u>1.0%</u>
Total Employer	<u>14.0%</u>	<u>14.0%</u>
Employee	<u>10.0%</u>	<u>10.0%</u>

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

The net pension asset and liability were measured as of December 31, 2016, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of that date. The Council’s proportions of the net pension asset and liability were based on the Council’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:

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Assets, Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>Traditional Pension Plan</u>	<u>Combined Pension Plan</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability/(Asset)	\$ 5,392,540	\$ (16,068)	\$ 5,376,472
Proportion of the Net Pension Liability/(Asset)	0.023747%	0.028869%	
Increase/(decrease) in % from prior proportion measured	0.001559%	0.009379%	
Pension Expense	\$ 1,172,652	\$ 11,447	\$ 1,186,137

At June 30, 2017, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Traditional Pension Plan</u>	<u>Combined Pension Plan</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 803,074	\$ 3,920	\$ 806,994
Changes in assumptions	855,323	3,916	859,239
Differences between expected and actual experience	7,309	-	7,309
Changes in proportion and differences government contributions and proportionate share of contributions	254,853	2,470	257,323
Council contributions subsequent to the measurement date	<u>170,025</u>	<u>5,854</u>	<u>175,879</u>
Total Deferred Outflows of Resources	<u>\$ 2,090,584</u>	<u>\$ 16,160</u>	<u>\$ 2,106,744</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 32,094	\$ 8,218	\$ 40,312
Changes in proportion and differences government contributions and proportionate share of contributions	<u>76,889</u>	<u>4,021</u>	<u>80,910</u>
Total Deferred Inflows of Resources	<u>\$ 108,983</u>	<u>\$ 12,239</u>	<u>\$ 121,222</u>

\$175,879 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Assets, Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Fiscal year Ending June 30:	Traditional Pension Plan	Combined Pension Plan	Total
2018	\$ 776,356	\$ 600	\$ 776,956
2019	767,853	598	768,451
2020	290,904	431	291,335
2021	(23,537)	(957)	(24,494)
2022	-	(812)	(812)
Thereafter	-	(1,793)	(1,793)
Total	<u>\$ 1,811,576</u>	<u>\$ (1,933)</u>	<u>\$ 1,809,643</u>

Actuarial Assumptions - OPERS

OPERS' total pension asset and liability were determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, 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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2016, are presented below:

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Combined Pension Plan
Valuation Date	December 31, 2016	December 31, 2016
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 8.25% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both health 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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 investments expense and adjusted for the changing amounts actually invested, the Defined Benefit portfolio is 8.30 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation for 2016	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
Total	100.00%	5.66%

Discount Rate The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Council's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

<u>Employer's Net Pension Liability/(Asset)</u>	<u>1% Decrease 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
Traditional Pension Plan	\$ 8,238,309	\$ 5,392,540	\$ 3,021,093
Combined Plan	\$ 1,155	\$ (16,068)	\$ (29,446)

NOTE 4 – POST EMPLOYMENT BENEFITS

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 4 – POST EMPLOYMENT BENEFITS (CONTINUED)

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

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In calendar year 2016, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to health care for members in both the Traditional and Combined Plans was 2.0 percent during calendar year 2016. As recommended by the OPERS actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Council's contributions allocated to fund post-employment health care benefits for the years ended June 30, 2017, 2016, and 2015, were \$41,398, \$53,853, and \$53,418, respectively, which were equal to the required contributions for 2016 and 2015 and 92% for 2017.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the Council for the year ended June 30, 2017, was as follows. The restated beginning balances are due to the blended component unit.

	Restated Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Nondepreciable Capital Assets:				
Land	\$ 369,100	\$ -	\$ -	\$ 369,100
Depreciable Capital Assets:				
Building	1,611,764	190,348	-	1,802,112
Land Improvements	172,000	-	-	172,000
Office Equipment	294,922	-	-	294,922
Computer Equipment	112,868	55,000	(7,166)	160,702
Total Depreciable Capital Assets	<u>2,191,554</u>	<u>245,348</u>	<u>(7,166)</u>	<u>2,429,736</u>
Accumulated Depreciation:				
Building	(442,028)	(45,824)	-	(487,852)
Land Improvements	(98,900)	(8,600)	-	(107,500)
Office Equipment	(274,362)	(5,300)	-	(279,662)
Computer Equipment	(86,592)	(31,355)	7,166	(110,781)
Total Accumulated Depreciation	<u>(901,882)</u>	<u>(91,079)</u>	<u>7,166</u>	<u>(985,795)</u>
 Total Capital Assets, Net	 <u>\$ 1,658,772</u>	 <u>\$ 154,269</u>	 <u>\$ -</u>	 <u>\$ 1,813,041</u>

During preparation of the financial statements, two fully depreciated assets were identified as missing from the beginning capital assets and accumulated depreciation balances. Adjustments were made to include these in the beginning balances noted in the table above.

NOTE 6 - CONTINGENCIES

Grants

The Council received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Council at June 30, 2017.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 6 – CONTINGENCIES (CONTINUED)

Subcontractors

For a majority of the expenditures in the Aging programs, the Council contracts with local non-profit agencies and for-profit companies to perform the specific services set forth in the grant agreements. The Council disburses grant funds to the entities based on monthly performance reports received from each entity. Some of the non-profit Aging subcontractors are required to have an annual independent audit. Under OMB CFR 200, the Council requires each agency to submit a copy of the audit report. If such audits disclose expenditures not in accordance with the terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed costs either from the Council or the delegate agency. The Council generally has the right of recovery from the subcontractors.

For the year ended June 30, 2017, agency costs of various amounts were disbursed for which the audits have not been received. Based upon prior experience, management believes that the Council will not incur significant losses from possible grant disallowances.

NOTE 7 - LONG-TERM OBLIGATIONS

The changes in the Council's long-term obligations during the fiscal year consisted of the following:

	Beginning Balance <u>6/30/2016</u>	Additions	Reductions	Ending Balance <u>6/30/2017</u>	Amounts Due in One Year
Mortgage Payable	\$ 1,547,369	\$ -	\$ (28,926)	\$ 1,518,443	\$ 28,926
Compensated Absences	160,489	213,361	(187,944)	185,906	6,368
Net Pension Liability	<u>3,843,241</u>	<u>1,549,299</u>	<u>-</u>	<u>5,392,540</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 5,551,099</u>	<u>\$ 1,762,660</u>	<u>\$ (216,870)</u>	<u>\$ 7,096,889</u>	<u>\$ 35,294</u>

Compensated absences are paid from the fund from which the employee is paid.

On July 26, 2004, the Corporation borrowed \$1,800,000 from the United States Government through the U.S. Department of Agriculture's Community Facilities Loan Program. The loan is secured by a mortgage on the property acquired on State Route 7 in Marietta, Ohio. The note bears interest at an annual rate of 4.375 percent fixed for the term of 40 years. Monthly principal and interest payments of \$8,028 began on August 26, 2005, and will continue until the entire indebtedness is paid. Final maturity date of the note is July 26, 2044. Scheduled principal payments are as follows:

2018	\$28,926
2019	\$31,887
2020	\$33,310
2021	\$34,797
2022	\$36,350
Thereafter	<u>\$1,353,173</u>
Total	<u>\$1,518,443</u>

The loan requires monthly deposits of \$802.80 to a reserve account beginning August 26, 2005, until there is an accumulated amount of \$96,336 after which deposits may be suspended. The reserve account balance as of September 30, 2017, was \$97,412. It is considered funded to the extent required by the loan. Disbursements from the reserve account require prior written approval. There were no disbursements made during the year ended September 30, 2017.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 8 – RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council maintains commercial insurance covering each of the above risks of loss. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Council. Settled claims have not exceeded coverage in any of the last 3 years. There has been no significant reduction in coverage from the prior fiscal year.

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES

Receivables reported as “Due from Other Funds” and the related payables reported as “Due to Other Funds” represent amounts owed by other governmental funds to the General Fund for the repayment of other governmental fund obligations that were originally paid out of the General Fund. The balances due to the Appalachian Development Corporation are lease payable from the Council to the Corporation. The Corporation leases building space to the Corporation.

NOTE 10 – PRIOR PERIOD RESTATEMENT

Management reclassified all inactive projects and projects with no restricted revenue sources from special revenue funds to the General fund. During the review of all projects, management identified some inactive projects that had not closed in the accounting system correctly and an error in prepaids resulting in a prior period adjustment of \$150,393 that reduced the General fund balance and net position.

Management included The Appalachian Development Corporation as a blended component unit in the financial statements for the year ended June 30, 2017. The inclusion of the component unit resulted in a prior period adjustment of \$647,519 that increased net position.

Fund balance and net position were restated for these adjustments as follows:

	General	Revolving Loan	Medicaid	Appalachian Development Corporation	Other Governmental Funds
Fund Balance at					
June 30, 2016	\$ 951,560	\$ 1,473,781	\$ -	\$ -	\$ -
Accounts Payable	(150,393)	-	-	-	-
Blended Component Unit	-	-	-	379,236	-
Adjusted Fund Balance at					
June 30, 2016	\$ 801,167	\$ 1,473,781	\$ -	\$ 379,236	\$ -
	Net Investment in Capital Assets	Restricted For Loans	Unrestricted	Total	
Governmental Activities					
Net Position at					
June 30, 2016	\$ (143,927)	\$ 1,473,782	\$ (1,747,669)	\$ (417,814)	
Accounts Payable	-	-	(150,393)	(150,393)	
Blended Component Unit	433,132	-	184,608	617,740	
Adjusted Net Position at					
June 30, 2016	\$ 289,205	\$ 1,473,782	\$ (1,713,454)	\$ 49,533	

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 11 – GRANTS RECEIVABLE

A summary of grants receivable follows:

<u>Major Funds</u>	
General	\$ 24,246
Medicaid	1,150,451
<u>NonMajor Funds</u>	
Title IIIA	50,989
Title IIIC-1	29,331
Title IIIC-2	38,774
Title IIIE-Services	4,448
Title VII Ombudsman	203
Title VII Elder Abuse	234
Block Admin.	8,114
SLTCO Ombudsman	8,772
Person Centered Staff Engagement	9,439
ARC	317
Community Development	56,131
HEAP	6,421
OBLTSS	1,400
EDA Grant	21,241
RTPO	31,795
Alzheimers Grant	12,104
National Senior Care Corps	9,347
MIPPA	5,528
Total NonMajor Funds	<u>294,588</u>
Total All Funds	<u>\$1,469,285</u>

NOTE 12 – RELATED ORGANIZATION

Ohio Rural Development Alliance

The Council is a participant in an alliance of government organizations to serve as an engine for driving economic diversification and sustainability for rural Ohio. The Alliance is designed to represent rural interests across Ohio and serve as a forum for collaboration and sharing of ideas related to strengthening rural Ohio. A Board of Directors consisting of representatives of each of the participating districts governs the Alliance. Financial information for the Alliance can be obtained from Ohio Rural Development Alliance, 1400 Pike Street, Marietta, Ohio 45750.

NOTE 13 – APPALACHIAN DEVELOPMENT CORPORATION

Appalachian Development Corporation (the Corporation) is a blended component unit of the Council. The Corporation is a nonprofit organization established to secure new businesses and industries and to promote the growth and expansion of the businesses and industries already established for the various communities in the eight counties of Southeastern Ohio; Athens, Hocking, Meigs, Morgan, Monroe, Noble, Perry and Washington. A Board of Directors consisting of appointments from the Council governs the Corporation.

**BUCKEYE HILLS REGIONAL COUNCIL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 13 – APPALACHIAN DEVELOPMENT CORPORATION (CONTINUED)

The Corporation was established on September 1, 1987, to provide financial assistance to new and developing businesses and industries. The Corporation has not applied for, or received, any grants to provide this assistance. Thus, the Corporation has no revenue or expenses related to its primary operation. The Corporation will apply for grants when a need exists and the grants are available and appropriate for the area. The Corporation's secondary operation of holding real estate is its only source of income and expense at this time. During the year, the Corporation leased its office buildings to Buckeye Hills Regional Council. This represents 100 percent of the Corporation's rental income

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BUCKEYE HILLS REGIONAL COUNCIL
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
Ohio Public Employees Retirement System (OPERS)
Last Four Calendar Years*

	2017	2016	2015	2014
Traditional Plan:				
Council's proportion of the net pension liability (asset) (percentage) - Traditional Plan	0.023747%	0.022188%	0.019262%	0.019262%
Council's proportionate share of the net pension liability (asset) - Traditional Plan	\$5,392,540	\$3,843,241	\$2,323,264	\$2,270,789
Council's covered payroll	2,797,940	2,843,985	2,761,520	2,540,691
Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	192.73%	135.14%	84.13%	89.38%
Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan)	77.25%	81.08%	81.08%	86.45%
Combined Plan:				
Council's proportion of the net pension liability (asset) (percentage) - Combined Plan	0.028869%	0.019490%	0.012146%	0.012146%
Council's proportionate share of the net pension liability (asset) - Combined Plan	(\$16,068)	(\$9,484)	(\$4,676)	(\$1,274)
Council's covered payroll	112,233	2,843,985	70,931	44,398
Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-14.32%	-0.33%	-6.59%	-2.87%
Plan fiduciary net position as a percentage of the total pension liability (Combined Plan)	116.55%	116.90%	116.90%	114.83%

* Information prior to fiscal year 2014 is not available.
Information on this schedule is based on OPERS plan year end, which is December 31.

BUCKEYE HILLS REGIONAL COUNCIL
Required Supplementary Information
Schedule of Contributions
Ohio Public Employees Retirement System (OPERS)
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Traditional Plan:				
Contractually required contribution	\$335,753	\$312,072	\$336,764	\$258,716
Contributions in relation to contractually required contribution	<u>(335,753)</u>	<u>(312,072)</u>	<u>(336,764)</u>	<u>(258,716)</u>
Contribution deficit (surplus)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Council's covered payroll	\$2,797,940	\$2,600,600	\$2,806,367	\$2,399,072
Contributions as a percentage of covered payroll	12.00%	12.00%	12.00%	10.78%
Combined Plan:				
Contractually required contribution	13,468	11,047	5,233	258,716
Contributions in relation to contractually required contribution	<u>(13,468)</u>	<u>(11,047)</u>	<u>(5,233)</u>	<u>(258,716)</u>
Contribution deficit (surplus)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Council's covered payroll	\$112,233	\$92,058	\$43,608	\$2,399,072
Contributions as a percentage of covered payroll	12.00%	12.00%	12.00%	10.78%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$202,196	\$172,186	\$165,247	\$151,840	\$124,412	\$136,251
<u>(202,196)</u>	<u>(172,186)</u>	<u>(165,247)</u>	<u>(151,840)</u>	<u>(124,412)</u>	<u>(136,251)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$1,995,392	\$1,946,913	\$2,014,834	\$2,008,665	\$1,819,163	\$1,571,547
10.13%	8.84%	8.20%	7.56%	6.84%	8.67%
202,196	172,186	165,247	151,840	124,412	136,251
<u>(202,196)</u>	<u>(172,186)</u>	<u>(165,247)</u>	<u>(151,840)</u>	<u>(124,412)</u>	<u>(136,251)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,995,392	\$1,946,913	\$2,014,834	\$2,008,665	\$1,819,163	\$1,571,547
10.13%	8.84%	8.20%	7.56%	6.84%	8.67%

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**BUCKEYE HILLS REGIONAL COUNCIL
WASHINGTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through the Ohio Department of Aging:</i>				
Seniors Farmers Market Nutrition Program	10.576	2016	\$0	\$63,386
		2017	0	6,131
Total			<u>0</u>	<u>69,517</u>
Total U.S. Department of Agriculture			<u>0</u>	<u>69,517</u>
U. S. DEPARTMENT OF COMMERCE				
<i>Direct from Economic Development Administration:</i>				
Economic Development - Support for Planning Organizations	11.302	N/A	0	75,869
Economic Adjustment Assistance (Revolving Loan Fund)	11.307	N/A	0	337,375
Economic Adjustment Assistance	11.307	N/A	0	28,557
Total			<u>0</u>	<u>365,932</u>
Total U.S. Department of Commerce			<u>0</u>	<u>441,801</u>
U. S. DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Ohio Department of Transportation:</i>				
Highway Planning and Construction	20.205	2017	0	106,921
Total U.S. Department of Transportation			<u>0</u>	<u>106,921</u>
APPALACHIAN REGIONAL COUNCIL				
<i>Direct from Appalachian Regional Commission:</i>				
Appalachian Area Development (Revolving Loan Fund)	23.002	N/A	0	648,339
Appalachian Local Development District Assistance	23.009		0	197,809
Total Appalachian Regional Council			<u>0</u>	<u>846,148</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the Ohio Department of Aging:</i>				
Aging Cluster:				
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2016	171,243	213,421
		2017	186,150	226,174
Total			<u>357,393</u>	<u>439,595</u>
Special Programs for the Aging-Title III, Part C- Nutrition Services	93.045	2016	185,744	358,903
		2017	259,534	374,185
Total			<u>445,278</u>	<u>733,088</u>
Nutrition Services Incentive Program	93.053	2016	13,500	13,500
		2017	53,396	53,396
Total			<u>66,896</u>	<u>66,896</u>
Total Aging Cluster			<u>869,567</u>	<u>1,239,579</u>

**BUCKEYE HILLS REGIONAL COUNCIL
WASHINGTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed through the Ohio Department of Aging (Continued):				
Special Programs for the Aging_Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	2017	\$0	\$1,593
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	2016 2017	0 0	72 1,430
Total			<u>0</u>	<u>1,502</u>
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	2016 2017	1,179 2,191	13,232 5,237
Total			<u>3,370</u>	<u>18,469</u>
National Family Caregiver Support, Title III, Part E	93.052	2016 2017	0 0	69,925 59,304
Total			<u>0</u>	<u>129,229</u>
Low-Income Home Energy Assistance	93.568	2016 2017	0 0	16,285 20,017
Total			<u>0</u>	<u>36,302</u>
Medicare Enrollment Assistance Program	93.071	2015-2017	0	31,636
Medical Assistance Program	93.778	2017	0	10,101,813
Total U.S. Department of Health and Human Services			<u>872,937</u>	<u>11,560,123</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$872,937</u>	<u>\$13,024,510</u>

The accompanying notes are an integral part of this Schedule.

**BUCKEYE HILLS REGIONAL COUNCIL
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Council under programs of the federal government for the year ended June 30, 2017. 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 Government, it is not intended to and does not present the financial position or changes in net position of the Council.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual 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 Council has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – REVOLVING LOAN FUNDS

The Council has established a revolving loan program to provide low-interest loans to businesses to create jobs in the region. The Appalachian Regional Commission (ARC) and Economic Development Administration (EDA) have granted money for these loans to the Council. The initial loan of this money is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by the grantors. Such loans are included as expenditures on the schedule.

Collateral for these loans is determined on a case-by-case basis, but includes mortgages on real estate and liens on business equipment and inventory.

Activity in EDA and ARC revolving loan funds during 2017 is as follows:

	<u>EDA</u>	<u>ARC</u>
Loans Outstanding	\$11,098	\$188,831
Cash Balance	325,707	395,814
Capital Base	336,805	584,645
Allowable Administration:		
Expense	570	11,217
Upaid Balances Written-off	-	52,477
Total Program	\$337,375	\$648,339

NOTE D – MATCHING REQUIREMENTS

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

**BUCKEYE HILLS REGIONAL COUNCIL
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE E – SUBRECIPIENTS

The Council passes certain federal awards received from the U.S. Department of Health and Human Services to other approved agencies (subrecipients). As Note B describes the Council reports expenditures of Federal awards to subrecipients when paid in cash.

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

BUCKEYE HILLS REGIONAL COUNCIL
Details of Statement of Financial Position - Modified Accrual
Program Year Ending June 30, 2017

Schedule A

Assets	Home Energy Assistance Program	PASSPORT/ Assisted Living	MIPPA	Person Centered Staff Engagement	Alzheimer's Respite Site	Alzheimer's Respite Core	National Senior Service Corps	Ombudsman Support	Total 2017
Current Assets									
Cash and Cash Equivalents	\$2,851	\$187,988	\$5,582	\$1,512	(\$23,942)	(\$23,416)	(\$6,306)	\$1,059	\$145,328
Account/grants Receivable	6,421	1,139,931	(5,315)	9,439	6,119	5,985	9,347	203	1,172,130
Prepaid expenses	0	26,779	0	704	0	0	0	0	27,483
Total Current Assets	9,272	1,354,698	267	11,655	(17,823)	(17,431)	3,041	1,262	1,344,941
Total Assets	9,272	1,354,698	267	11,655	(17,823)	(17,431)	3,041	1,262	1,344,941
Liabilities and Net Assets									
Current Liabilities									
Accounts/grants payable	0	384,691	185	0	(18,436)	(18,031)	8,354	0	356,763
Contractual Advances	0	32,258	4,002	4,540	0	0	0	3,171	43,971
Accrued expenses	8,941	1,114,275	6,187	7,115	678	663	0	960	1,138,819
Total Current Liabilities	8,941	1,531,224	10,374	11,655	(17,758)	(17,368)	8,354	4,131	1,539,553
Net Assets									
Unrestricted	331	(176,526)	(10,107)	0	(65)	(63)	(5,313)	(2,869)	(194,612)
Total Liabilities and Net Assets	\$9,272	\$1,354,698	\$267	\$11,655	(\$17,823)	(\$17,431)	\$3,041	\$1,262	\$1,344,941

BUCKEYE HILLS REGIONAL COUNCIL
Details of Statement of Financial Position - Modified Accrual
Program Year Ending December 31, 2016

Schedule A

Assets	Title III-A	Title III-B	Title III-C1	Title III-C2	Title III-D	Title III-E - Caregiver Services	Title III-E - Caregiver Administration
Current Assets							
Cash and Cash Equivalents	\$54,639	\$26,865	\$31,351	\$4,760	(\$3,069)	\$3,098	\$5,127
Account/grants Receivable	0	26,001	0	38	7,606	198	8,873
Total Current Assets	54,639	52,866	31,351	4,798	4,537	3,296	14,000
Liabilities and Net Assets							
Current Liabilities							
Accounts/grants payable	2,225	23,272	2,971	4,140	550	180	13,648
Contractual Advances	0	0	0	0	0	0	0
Accrued expenses	51,996	13,611	0	0	1,137	3,534	10,266
Total Current Liabilities	54,221	36,883	2,971	4,140	1,687	3,714	23,914
Net Assets							
Unrestricted	418	15,983	28,380	658	2,850	(418)	(9,914)
Total Liabilities and Net Assets	\$54,639	\$52,866	\$31,351	\$4,798	\$4,537	\$3,296	\$14,000

Title VII - Elder Abuse Prevention	Title VII - Ombudsman	Nutrition Services Incentive Program	Senior Farmer's Market Nutrition Program	Senior Community Service - Social Services	Senior Community Service - Administration	State Long Term Ombudsman	Bed Fee	Total 2016
\$0	(\$72)	\$0	\$0	\$5,574	\$0	\$0	(\$2,886)	\$125,387
0	72	0	0	0	0	0	7,276	50,064
0	0	0	0	5,574	0	0	4,390	175,451
0	0	0	0	0	0	0	0	46,986
0	0	0	0	0	0	0	0	0
0	0	0	0	5,574	0	0	4,390	90,508
0	0	0	0	5,574	0	0	4,390	137,494
0	0	0	0	0	0	0	0	37,957
\$0	\$0	\$0	\$0	\$5,574	\$0	\$0	\$4,390	\$175,451

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Buckeye Hills Regional Council
Details of Statements of Activities by Program - Modified Accrual
Program Year Ending June 30, 2017

Schedule B

	Home Energy Assistance Program	PASSPORT/ Assisted Living	MIPPA	Person Centered Staff Engagement	Alzheimer's Respite Site	Alzheimer's Respite Core	National Senior Service Corps	Ombudsman Support	Total 2017
Revenue									
Federal	\$36,302	\$10,101,813	\$31,636	\$6,310	\$0	\$0	\$0	\$1,502	\$10,177,563
State	0	7,368,879	0	9,439	29,265	28,622	33,414	2,478	7,472,097
	36,302	17,470,692	31,636	15,749	29,265	28,622	33,414	3,980	17,649,660
Client co-pays	0	176,896	0	0	0	0	0	0	176,896
Interest	0	536	0	0	0	0	0	0	536
Total Revenue	36,302	17,648,124	31,636	15,749	29,265	28,622	33,414	3,980	17,827,092
Expenses									
Salaries	14,664	1,547,894	7,845	8,537	572	559	0	2,216	1,582,287
Benefits	4,921	617,459	2,902	2,750	208	203	0	645	629,088
Professional services	0	1,899	0	0	0	0	0	0	1,899
Equipment/supplies	258	81,296	723	0	0	0	0	0	82,277
Travel and training	3,605	123,101	1,835	969	0	0	0	256	129,766
Other	12,854	15,276,475	18,331	3,493	28,485	27,860	33,414	863	15,401,775
Total Expenses	36,302	17,648,124	31,636	15,749	29,265	28,622	33,414	3,980	17,827,092
Increase (Decrease) in fund balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Buckeye Hills Regional Council
Details of Statements of Activities by Program - Modified Accrual
Program Year Ending December 31, 2016

Revenue	Title III-A	Title III-B	Title III-C1	Title III-C2	Title III-D	Title III-E - Caregiver Services	Title III-E - Caregiver Administration
Federal	\$208,376	\$445,052	\$181,069	\$253,802	\$28,531	\$11,670	\$100,007
State	0	0	0	0	0	0	0
	<u>208,376</u>	<u>445,052</u>	<u>181,069</u>	<u>253,802</u>	<u>28,531</u>	<u>11,670</u>	<u>100,007</u>
Miscellaneous grants & revenue	1,295	2,130	21,569	26,098	0	690	7,656
Total Revenue	<u>209,671</u>	<u>447,182</u>	<u>202,638</u>	<u>279,900</u>	<u>28,531</u>	<u>12,360</u>	<u>107,663</u>
Expenses							
Salaries	65,055	20,287	0	0	2,259	3,894	14,970
Benefits	26,317	6,033	0	0	807	1,511	5,741
Professional services	2,803	0	0	0	0	0	0
Equipment/supplies	10,333	296	0	0	4,199	0	652
Travel and training	4,429	2,432	0	0	3,109	421	1,098
Other	100,437	402,651	174,259	279,242	18,202	6,239	95,768
Total Expenses	<u>209,374</u>	<u>431,699</u>	<u>174,259</u>	<u>279,242</u>	<u>28,576</u>	<u>12,065</u>	<u>118,229</u>
Increase (Decrease) in fund balance	<u>\$297</u>	<u>\$15,483</u>	<u>\$28,379</u>	<u>\$658</u>	<u>(\$45)</u>	<u>\$295</u>	<u>(\$10,566)</u>

Title VII - Elder Abuse Prevention	Title VII - Ombudsman	Nutrition Services Incentive Program	Senior Farmer's Market Nutrition Program	Senior Community Service - Social Services	Senior Community Service - Administration	State Long Term Ombudsman	Bed Fee	Total 2016
\$5,450	\$3,220	\$62,613	\$69,837	\$0	\$0	\$0	\$0	\$1,369,627
0	0	0	0	230,424	66,247	29,075	15,584	341,330
5,450	3,220	62,613	69,837	230,424	66,247	29,075	15,584	1,710,957
0	0	5,710	0	0	0	0	0	65,148
5,450	3,220	68,323	69,837	230,424	66,247	29,075	15,584	1,776,105
0	0	0	0	4,825	0	0	7,949	119,239
0	0	0	0	3,563	0	0	2,129	46,101
0	0	0	0	0	0	0	0	2,803
0	0	0	4,900	335	0	0	0	20,715
0	72	0	0	2,225	0	0	79	13,865
5,450	3,148	68,323	64,937	219,476	66,247	29,075	5,427	1,538,881
5,450	3,220	68,323	69,837	230,424	66,247	29,075	15,584	1,741,604
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$34,501

BUCKEYE HILLS REGIONAL COUNCIL
Schedule of the Ohio Department of Aging Funded Awards
Summary of Unearned Cash and Undrawn Cash Balance
For the Program Periods Indicated Below

A	B	C	D	E	F	G	H	I	J	K	L
Grant/Program	CFDA #	Program Period	Beginning Carryover	New Grant Awarded	Grant Expenses	Undrawn Grant Balance	Unearned Cash Balance	Approved Waiver Amount	Total Carryover	FFY 16 Carryover Limit	Cash to be Returned to ODA After Audit
Alzheimer's Respite	N/A	7/1/16-6/30/17	\$ -	\$ 57,887	\$ 57,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bed Fee	N/A	1/1/16-12/31/16	-	15,584	15,584	-	-	-	-	-	-
HEAP-Home Energy Assistance Program	93.568	9/1/16-8/31/17	-	20,929	20,017	912	-	-	-	-	-
MIPPA-Medicare Improvements for Patients and Providers Act for Beneficiary Outreach and Assistance Program	93.071	9/30/14-9/29/17	-	73,978	69,976	-	4,002	-	-	-	-
National Senior Service Corp (Senior Volunteers)	N/A	7/1/16-6/30/17	-	33,414	33,414	-	-	-	-	-	-
NSIP-Nutrition Services Incentive Program	93.053	10/1/16-9/30/17	5,735	70,668	53,396	12,935	10,072	-	-	-	-
Ombudsman Support	N/A	10/1/16-9/30/17	-	65,000	15,749	-	2,564	-	-	-	-
SFMNP-Senior Farmers' Market Nutrition Program	10.576	3/1/16-11/30/16	-	72,477	69,837	2,640	-	-	-	-	-
Long-term Care Ombudsman	N/A	1/1/16-12/31/16	-	29,075	29,075	-	-	-	-	-	-
Senior Community Services Administration	N/A	1/1/16-12/31/16	-	66,247	66,247	-	-	-	-	-	-
Senior Community Services	N/A	1/1/16-12/31/16	-	230,424	230,424	-	-	-	-	-	-
Title III A - Administration	93.045	1/1/16-12/31/16	1,295	209,671	209,252	1,295	443	-	1,295	22,283	-
Title III B - Supportive Services	93.045	1/1/16-12/31/16	2,130	451,103	431,199	6,051	15,878	-	2,131	46,227	-
Title III C-1 - Congregate Meals	93.045	1/1/16-12/31/16	21,569	194,865	174,259	13,796	27,922	13,328	21,569	28,390	-
Title III C-2 - Home Delivered	93.045	1/1/16-12/31/16	26,098	267,680	279,242	13,878	-	-	26,098	28,556	-
Title III D - Preventive Health	93.043	1/1/16-12/31/16	-	28,531	25,681	-	2,850	-	-	2,913	-
Title III E - Administration	93.052	1/1/16-12/31/16	690	12,373	12,779	284	-	-	690	1,268	-
Title III E - Service	93.052	1/1/16-12/31/16	7,306	111,355	117,227	1,084	-	-	7,306	11,413	-
Title VII Elder Abuse	93.041	1/1/16-12/31/16	-	5,450	5,450	-	-	-	-	545	-
Title VII Ombudsman	93.042	1/1/16-12/31/16	-	3,394	3,394	-	-	-	-	387	-
Column Totals			\$ 64,823	\$ 2,020,105	\$ 1,920,089	\$ 52,875	\$ 63,731	\$ 13,328	\$ 59,089	\$ 141,982	\$ -

Column Descriptions and Requirements:

- Column A: All ODA funded programs are to be listed, including any program not listed.
- Column B: CFDA numbers associated with Federal awards are to be listed.
- Column C: Program period reflects the grant awards which ended within the Agency's fiscal year. Example: Agency year end: 12/31/15, Program year end: 6/30/15. The program ending in 6/30/15 should be included in its entirety as a part of this schedule. Grant awards as shown are for year ending 12/31/15.
- Column D: Beginning carryover represents the carryover in its entirety beginning a program year. Example: Title III 2014 carryover should be reported in this column for the 2015 program year.
- Column E: Total grant awarded for programs ending in the Agency's fiscal year. Example: Agency year end: 12/31/15, program year end 6/30/15. Total award for 7/1/14 to 6/30/15 should be reported here.
- Column F: Total grant expenditures for programs ending in the Agency's fiscal year. Example: Agency year end: 12/31/15, program year end 6/30/15. Total expenditures for 7/1/14 to 6/30/15 should be reported here.
- Column G: Undrawn grant balance represents the end of the program year grant dollars which have not been requested from ODA.
- Column H: Unearned cash balance represents the end of the program year grant dollars requested by the Agency but not yet expended for the program.
- Column I: Any approved waiver amounts related to programs ending in the Agency's fiscal year.
- Column J: Total Carryover is usually related to the Title III and Title VII awards, in which the Agency is permitted a 10% "carryover" of funding to spent in the next program year. These funds are dollars not yet expended as undrawn grant balance or unearned cash that can be spent in the next program year.
- Column K: Carryover is usually related to the Title III and Title VII awards, and a cap to the amount of funds that can be spent in the following program year is established by ODA at the beginning of the award period.
- Column L: Cash to be returned to ODA at the end of the audit represents dollars in program which were not expended during the program year, and are in possession of the Agency, and are expired due to the end of the award period, and are to be returned to ODA.

A	B	C	D	E			H		J
Grant/Program	CFDA #	Program Period	Ending Receivable	Revenue			Expenses		Ending Cash Balance
				ODA Funds	Client Liability	Interest	Services	Administration	
ODA Administered Waiver Programs	93.778	7/1/16 - 6/30/17	\$ 31,951	\$ 17,502,951	\$ 186,448	\$ 536	\$ 14,175,964	\$ 3,472,166	\$ 41,805

Column Descriptions and Requirements:

- Column A: All ODA funded programs relating to Medicaid awards.
- Column B: CFDA numbers associated with Federal Awards are to be listed.
- Column C: Program period reflects the grant awards which ended within the Agency's fiscal year.
- Column D: Client liability receivable due at end of the program period.
- Columns E-G: Revenues received during the program period, by category, as listed above.
- Columns H-I: Expenses made during the program period, by category, as listed above.
- Column J: Ending cash balance at program period end.

BUCKEYE HILLS REGIONAL COUNCIL
Allocation of Interest Earned
For Fiscal Year Ending June 30, 2017

Schedule D

Program Description	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual Total
<i>Federally Funded Programs</i>					
ODA Administered Waiver Programs	\$159.65	\$154.40	\$141.45	\$80.57	\$536.07
Home Energy Assistance Program (HEAP)	0.12	-	-	-	0.12
Nutrition Services Incentive Program (NSIP)	0.12	-	-	0.86	0.98
ODSMP-Ohio Diabetes Self-Management Project	-	-	-	-	-
Ohio Health Transformation-Ombudsman Veterans Initiative	-	-	-	-	-
Senior Farmers' Market Nutrition Program (SFMNP)	2.55	0.73	0.10	1.32	4.70
Title III A - Administration	5.39	0.75	-	8.23	14.37
Title III B - Supportive Services	5.81	2.18	5.41	4.35	17.75
Title III C-1 - Congregate Meals	5.61	5.55	9.79	6.30	27.25
Title III C-2 - Home Delivered	6.67	0.96	5.02	3.40	16.05
Title III D - Preventive Health	0.70	0.66	1.01	1.13	3.50
Title III E - Administration	0.37	-	0.12	0.62	1.11
Title III E - Service	2.33	-	-	2.89	5.22
Title VII Elder Abuse	-	-	0.05	0.21	0.26
Title VII Ombudsman	-	-	0.05	0.21	0.26
MIPPA	0.34	1.41	1.43	1.04	4.22
OBLTSS	0.60	0.74	0.85	1.33	3.52
<i>State Funded Programs</i>					
Alzheimers' Respite	2.34	4.72	1.89	0.34	9.29
Bed Fee	0.43	-	0.49	1.59	2.51
Long-term Care Ombudsman	-	-	0.26	1.46	1.72
National Senior Service Corp	0.33	1.47	1.31	-	3.11
Ombudsman Support	0.03	0.07	-	1.62	1.72
Resident Services Coordinator Program	-	-	-	-	-
Senior Community Services	2.42	0.55	11.71	10.51	25.19
Senior Community Services Administration	-	-	5.37	2.97	8.34
<i>Other</i>	43.22	77.73	65.47	83.21	269.63
Total Interest Earned	\$239.03	\$251.92	\$251.78	\$214.16	\$956.89

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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*

Buckeye Hills Regional Council
Washington County
1400 Pike Street
Marietta, Ohio 45750

To the Council:

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, each major fund, and the aggregate remaining fund information of the Buckeye Hills Regional Council, Washington County, Ohio (the Council), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated March 29, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council'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 Council'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 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Council'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*.

Council's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the Council's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 29, 2018



Dave Yost • Auditor of State

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

Buckeye Hills Regional Council
Washington County
1400 Pike Street
Marietta, Ohio 45750

To the Council:

Report on Compliance for the Major Federal Program

We have audited the Buckeye Regional Council's, Washington County, Ohio (the Council), 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 Council's major federal programs for the year ended June 30, 2017. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the Council's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Council's compliance for the Council's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and 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 Council'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 Council's major program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on the Major Federal Program

In our opinion, the Council complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The Council'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 Council'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 the 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 Council'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.



Dave Yost
Auditor of State
Columbus, Ohio

March 29, 2018

**BUCKEYE HILLS REGIONAL COUNCIL
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
(d)(1)(vii)	Major Program: <ul style="list-style-type: none"> • Medical Assistance Program – CFDA # 93.778 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR Part 200.520?	Yes

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

FINDING NUMBER 2017-001

Significant Deficiency

In our audit engagement letter, as required by AU-C § 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 § 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 provides that 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.

**BUCKEYE HILLS REGIONAL COUNCIL
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-001

Significant Deficiency (Continued)

The Council originally filed materially inaccurate financial statements in its annual report as the underlying accounting system was not sufficiently established to properly report information by fund. The system did not maintain information by fund, but rather by program which included indirect cost pools. The system included items such as accrued wages and prepaid assets in indirect cost pool lines which pulled into the General Fund for reporting rather than being properly allocated with the related expenditures which posted to the individual grant programs. Further, the system reported accounts payable for terminated grants that were not properly closed out in the accounting system, which required restatement.

Based on the inaccuracy of the filing and the state of the underlying system, management, in cooperation with the accounting firm contracted to prepare the annual financial report performed an additional review of the underlying system program codes to identify proper classifications and opted to refile corrected financial statements in the HINKLE system on March 16, 2018. As a result, a component unit, not previously identified and disclosed, was required to be included in the financial statements of the Council. Once added, the financial statements were re-filed in the HINKLE system again on March 29, 2018. The lack of a properly designed system resulted in the inability of the Council to meet single audit reporting deadline for fiscal year 2017.

The Council should design and maintain a system of internal control allowing for an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by Rule 117-2-03 of the Administrative Code.

Official's Response: Due to the unique nature of our entity and in order to accurately report to many grantor agencies our accounting system was organized "by project". Until 2017 each project was considered a special revenue fund. Many costs were indirectly charged to the projects as services were provided and grant agreements would allow. In an initiative to have the most accurate streamlined accounting possible during 2017 management sized down the number of projects and began recording transactions directly to the various projects. Management combined certain projects that were similar into governmental funds and reclassified some projects that were not grant related to the general fund. During these activities the accounting system did not close out a few inactive projects correctly and some of the indirect costs were not cleared out of the clearing accounts. These errors were identified during the financial statement preparation process and were corrected. They occurred in an effort to enhance our organizations accounting and financial reporting. In response to the Auditor's presentation of the Appalachian Development Corporation as a component unit we were not aware that the entity met the requirements to be presented as a blended component unit. The organization has been audited by external auditors for many years. These audit reports have been reviewed by both Council and Corporation governing Board's and have been available to oversight agencies and the public in general.

It's our position that our accounting system and financial reporting processes are capable of accounting and reporting in compliance with all applicable accounting standards and financial reporting in a timely manner. The errors that occurred this year were transitional in nature and have been corrected.

3. FINDINGS FOR FEDERAL AWARDS

None.



CORRECTIVE ACTION PLAN
2 CFR PART 200.511(c)
JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	It's our position that our accounting system and financial reporting processes are capable of accounting and reporting in compliance with all applicable accounting standards and financial reporting in a timely manner. The errors that occurred this year were transitional in nature and have been corrected.	Corrected as of the report date	Denise Keyes, Director of Fiscal Operations

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BUCKEYE HILLS REGIONAL COUNCIL

WASHINGTON 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
APRIL 12, 2018**