



Dave Yost • Auditor of State



**SUMMIT AND MEDINA WORKFORCE AREA COUNCIL OF GOVERNMENTS  
SUMMIT COUNTY  
DECEMBER 31, 2017**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board:

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Summit and Medina Workforce Area Council of Governments, Summit County, Ohio a component unit of Summit County (the COG), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the COG's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Summit and Medina Workforce Area Council of Governments, Summit County, Ohio, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018, on our consideration of the COG's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the COG's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 13, 2018

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**Summit and Medina Workforce Area Council of Governments**

**Summit County, Ohio**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2017*

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The discussion and analysis of the Summit and Medina Workforce Area Council of Governments (the COG) financial performance provides an overall review of the COG's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the COG's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the COG's financial performance.

***Financial Highlights***

Key financial highlights for 2017 are as follows:

- The COG began operations as Summit and Medina Workforce Area Council of Governments on July 1, 2017.
- Total net position was a deficit of \$487,490.
- Revenues and expenses for the first year were \$1,819,403 and \$2,306,893, respectively.

***Using this Annual Financial Report***

This report is designed to allow the reader to look at the financial activities of the Summit and Medina Workforce Area Council of Governments as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the COG's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2017 and how they affected the operations of the COG as a whole.

***Reporting the Entity as a Whole***

*Statement of Net Position and the Statement of Activities*

The statement of net position and statement of activities include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid. These two statements report the COG's net position and the change in that net position. The change in net position is important because it tells the reader whether, for the COG as a whole, the financial position of the COG has improved or diminished.

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

**Summit and Medina Workforce Area Council of Governments**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*

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

*Fund Financial Statements*

**Governmental Fund** All of the COG's activities are reported in one governmental fund, the general fund, which focuses on how money flows into and out of it and the balance left at year-end available for spending in future periods. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the COG's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance future services. 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.

**The COG as a Whole**

Recall that the Statement of Net Position provides the perspective of the COG as a whole. 2017 was the initial year of operations. Prior to becoming a separate entity, the activity of the COG was reported as a special revenue fund of Summit County. Comparative information will be presented in future years as information becomes available.

**Table 1**  
**Net Position**

	<u>Governmental Activities</u>
	2017
<b>Assets</b>	
Current and Other Assets	\$ 463,159
<b>Deferred Outflows of Resources</b>	
Pension	13,962
<b>Liabilities</b>	
Current and Other Liabilities	939,102
Long-Term Liabilities:	
Due Within One Year	10,496
Due in More Than One Year	15,013
<i>Total Liabilities</i>	964,611
<b>Net Position</b>	
Unrestricted	\$ (487,490)

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the COG's liabilities exceeded assets and deferred outflows by \$487,490.

**Summit and Medina Workforce Area Council of Governments**

**Summit County, Ohio**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2017*

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Under the standards required by GASB 68, the net pension liability equals the COG'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 COG 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 COG'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 of resources. As a result of implementing GASB 68, the COG will be reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in 2018. For 2017, contributions subsequent to measurement date is the only accrual reported related to the above.

**Summit and Medina Workforce Area Council of Governments**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*

The COG's current assets consist of intergovernmental receivables outstanding at year-end. These receivables were routine expense reimbursements due from the COG's major funder, the Ohio Department of Job and Family Services (ODJFS), and would have been collected within the first months of the next fiscal year.

The COG's current liabilities primarily represent accrued rent payable, accrued wages and associated benefits and payables due to OPERS for pension and Job and Family Services for cost reimbursements at year end.

Table 2 shows the changes in net position for 2017. Comparative information will be presented in future years as information becomes available.

**Table 2**  
**Changes in Net Position**

	<u>Governmental Activities</u>
	2017
<b>Revenues</b>	
<i>Program Revenues:</i>	
Operating Grants	\$ 1,819,403
<b>Program Expenses</b>	
Employment and Training Program	2,306,893
<i>Change in Net Position</i>	(487,490)
<i>Net Position Beginning of Year</i>	0
<i>Net Position End of Year</i>	\$ (487,490)

***The COG's General Fund***

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

As of the end of the current year, the COG's general fund reported an ending deficit fund balance of \$806,768. In its first year of operations, expenditures exceeded revenues. As the COG only has one governmental fund, the analysis from a fund perspective is similar to the analysis already presented on a government-wide basis, exclusive of generally accepted accounting differences between the two sets of statements which are highlighted in the reconciliations and notes to the financial statements.

**Summit and Medina Workforce Area Council of Governments**

**Summit County, Ohio**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2017*

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***General Fund Budgeting Highlights***

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

***Contacting the COG's Finance Management***

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the COG's finances and to show the COG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christine Marshall, Executive Director, 191 South Main Street, Akron, Ohio 44308.

**Summit and Medina Workforce Area Council of Governments**  
**Summit County, Ohio**  
*Statement of Net Position*  
*December 31, 2017*

	Governmental Activities
<b>Assets</b>	
Intergovernmental Receivable	\$ 463,159
<b>Deferred Outflow of Resources</b>	
Pension	13,962
<b>Liabilities</b>	
Accounts Payable	169,346
Accrued Wages and Benefits	2,685
Due to Fiscal Agent	181,854
Intergovernmental Payable	585,217
Long-Term Liabilities:	
Due Within One Year	10,496
Due In More Than One Year	15,013
<i>Total Liabilities</i>	964,611
<b>Net Position</b>	
Unrestricted	(487,490)
<i>Total Net Position</i>	\$ (487,490)

See accompanying notes to the basic financial statements.

**Summit and Medina Workforce Area Council of Governments**  
**Summit County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>			
Human Services:			
Employment and Training Program	\$ 2,306,893	\$ 1,819,403	\$ (487,490)
<i>Total Primary Government</i>	<u>\$ 2,306,893</u>	<u>\$ 1,819,403</u>	<u>(487,490)</u>
		<i>Change in Net Position</i>	(487,490)
		<i>Net Position Beginning of Year</i>	<u>0</u>
		<i>Net Position End of Year</i>	<u>\$ (487,490)</u>

See accompanying notes to the basic financial statements.

**Summit and Medina Workforce Area Council of Governments**  
**Summit County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2017*

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	General Fund
<b>Assets</b>	
Intergovernmental Receivable	\$ 463,159
<b>Liabilities</b>	
Accounts Payable	\$ 169,346
Accrued Wages and Benefits	2,685
Due to Fiscal Agent	181,854
Intergovernmental Payable	585,217
<i>Total Liabilities</i>	939,102
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue	330,825
<b>Fund Balances</b>	
Unassigned	(806,768)
<i>Total Liabilities and Fund Balances</i>	\$ 463,159

See accompanying notes to the basic financial statements.



**Summit and Medina Workforce Area Council of Governments**  
**Summit County, Ohio**  
*Reconciliation of Total Governmental Fund Balance to*  
*Net Position of Governmental Activities*  
*December 31, 2017*

<b>Total Governmental Fund Balance</b>	\$	(806,768)
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the fund:		
Intergovernmental		330,825
 The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental fund.		
Deferred Outflows - Pension		13,962
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund:		
Compensated Absences		(25,509)
 <i>Net Position of Governmental Activities</i>	 \$	 (487,490)

See accompanying notes to the basic financial statements.

**Summit and Medina Workforce Area Council of Governments**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Fund*  
*For the Year Ended December 31, 2017*

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	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental	\$ 1,488,578
<b>Expenditures</b>	
Current:	
Human Services:	
Employment and Training Program	<u>2,295,346</u>
 <i>Net Change in Fund Balance</i>	 (806,768)
 <i>Fund Balance Beginning of Year</i>	 <u>0</u>
 <i>Fund Balance End of Year</i>	 <u><u>\$ (806,768)</u></u>

See accompanying notes to the basic financial statements.

**Summit and Medina Workforce Area Council of Governments**  
**Summit County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of the Governmental Fund to the Statement of Activities  
For the Year Ended December 31, 2017*

<b>Net Change in Fund Balance - Total Governmental Fund</b>	<b>\$ (806,768)</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.	
Intergovernmental	330,825
Contractually required pension contributions are reported as expenditures in the governmental fund; however, the statement of net position reports these amounts as deferred outflows.	13,962
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.	
Compensated Absences	<u>(25,509)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ (487,490)</u></u>

See accompanying notes to the basic financial statements.

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## Summit and Medina Workforce Area Council of Governments

### Summit County, Ohio

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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#### **Note 1 – Description of the Reporting Entity**

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

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

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

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

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

The reporting entity has been defined in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the COG are not misleading. On this basis, no governmental organizations other than the COG itself are included in the financial reporting entity. The COG is considered a component unit of Summit County for reporting purposes.

# Summit and Medina Workforce Area Council of Governments

## Summit County, Ohio

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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### **Note 2 – Summary of Significant Accounting Policies**

The financial statements of the COG have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the COG's accounting policies are described below.

#### ***Basis of Presentation***

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

#### ***Government-wide Financial Statements***

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

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

#### ***Governmental Funds***

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the COG's only governmental fund:

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

## **Summit and Medina Workforce Area Council of Governments**

### **Summit County, Ohio**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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#### ***Measurement Focus***

##### ***Government-wide Financial Statements***

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

##### ***Fund Financial Statements***

The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet.

The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between government-wide statements and the statements for the governmental funds.

##### ***Basis of Accounting***

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

##### ***Revenues - Exchange and Non-exchange Transactions***

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

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

**Summit and Medina Workforce Area Council of Governments**

**Summit County, Ohio**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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

***Deferred Inflows of Resources and Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the COG, deferred outflows of resources are reported on the government-wide statement of net position for pension and are explained in Note 7.

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

***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.

***Budgetary Data***

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

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

***Cash and Cash Equivalents***

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

***Capital Assets***

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



**Summit and Medina Workforce Area Council of Governments**

**Summit County, Ohio**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

***Pensions***

If applicable, for purposes of measuring the net pension asset/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.

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

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

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, compensated absences are reported as a liability in the fund financial statements only to the extent payments come due each period upon the occurrence of employee resignations and retirements.

***Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the COG classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

## Summit and Medina Workforce Area Council of Governments

### Summit County, Ohio

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the COG for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by COG. The COG may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

### ***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**Summit and Medina Workforce Area Council of Governments**

**Summit County, Ohio**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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***Estimates***

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

**Note 3 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the COG is bound to observe constraints imposed upon the use of the resources in the governmental fund. At year-end, the entire fund balance was an unassigned deficit balance.

**Note 4 – Deposits and Investments**

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

**Note 5 – Receivables**

Receivables at December 31, 2017, consisted of intergovernmental grants. Intergovernmental receivables represent amounts owed to the COG from the Ohio Department of Jobs and Family Services for grant funds earned but not received. All receivables are considered fully collectible and expected to be received within one year.

**Note 6 – Compensated Absences**

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

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

**Summit and Medina Workforce Area Council of Governments**

**Summit County, Ohio**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 7 - Defined Benefit Pension Plan**

***Net Pension Liability***

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

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

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

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

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

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

Plan Description - COG employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. COG employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

## Summit and Medina Workforce Area Council of Governments

### Summit County, Ohio

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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):

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

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

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

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 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 (CPI), capped at 3 percent.

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

**Summit and Medina Workforce Area Council of Governments**

**Summit County, Ohio**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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	State and Local
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.00 %
Employee	10.00 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.00 %
Post-Employment Health Care Benefits	1.00 %
Total Employer	<u>14.00 %</u>
Employee	<u>10.00 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The COG's contractually required contribution was \$13,962 for 2017. Of this amount, \$349 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The COG's proportion of the net pension liability was based on the COG's share of contributions to the pension plan relative to the contributions of all participating entities. The COG's proportionate share is zero percent since the entity had no contributions as of measurement date of December 31, 2016.

Deferred outflows of resources related to pension resulting from COG's contributions subsequent to the measurement date of \$13,962 will be recognized as a reduction of the net pension liability in the year ending December 31, 2018.

**Note 8 – Post-Employment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

## Summit and Medina Workforce Area Council of Governments

### Summit County, Ohio

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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In order to qualify for health care coverage, age-and-service retirees under the traditional 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. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment 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 earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

Substantially all of the COG's contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the year ended December 31, 2017 was \$1,074. For 2017, 97 percent has been contributed with the balance being reported as an intergovernmental payable.

**Summit and Medina Workforce Area Council of Governments**

**Summit County, Ohio**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 9 – Long-Term Obligations**

Changes in long-term obligations during the year ended December 31, 2017 consisted of the following:

	<u>Balance 12/31/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2017</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 0</u>	<u>\$ 25,509</u>	<u>\$ 0</u>	<u>\$ 25,509</u>	<u>\$ 10,496</u>

**Note 10 - Risk Management**

The COG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, the COG maintained suitable insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current year.

**Note 11 – Contingencies**

The COG receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2017 will not have a material adverse effect on the COG.

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

**Note 12 – Commitments**

The COG utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance if not reflected as payables. At year end, the COG's commitments for encumbrances in the general fund were \$631,516.



**Summit and Medina Workforce Area Council of Governments**  
**Summit County, Ohio**  
*Required Supplementary Information*  
*Schedule of COG's Contributions*

	<b>2017</b>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>	
Contractually Required Contribution	\$ 13,962
Contributions in Relation to the Contractually Required Contribution	(13,962)
Contribution Deficiency (Excess)	\$ 0
COG's Covered Payroll	\$ 107,400
Contributions as a Percentage of Covered Payroll	13.00%

Note: This is a ten year schedule and additional years will be presented as they become available.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
(Passed Through Ohio Department of Job and Family Services)				
Workforce Investment Act Cluster				
WIOA - Adult Program	17.258	G-1819-15-0173	\$ 306,073	\$ 326,495
CCMEP - WIOA - Youth Program	17.259	G-1819-15-0173	184,216	358,021
CCMEP - WIOA - Youth Program - Administration		G-1819-15-0173		128,003
WIOA - Dislocated Worker Program	17.278	G-1819-15-0173	117,483	399,145
WIOA - Dislocated Worker Program		G-1819-15-0173		9,845
Total Workforce Investment Act Cluster			<u>607,772</u>	<u>1,221,509</u>
Total U.S. Department of Labor			<u>607,772</u>	<u>1,221,509</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$607,772</u></u></b>	<b><u><u>\$1,221,509</u></u></b>

*The accompanying notes are an integral part of this schedule.*

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The COG has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - SUBRECIPIENTS**

The COG passes certain federal awards received from the U.S. Department of Labor to other governments or not-for-profit agencies (subrecipients). As Note B describes, the COG reports expenditures of Federal awards to subrecipients when paid in cash.

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

**NOTE D - MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

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

To the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major fund of the Summit and Medina Workforce Area Council of Governments, Summit County, (the COG) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the COG's basic financial statements and have issued our report thereon dated September 13, 2018.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

***Compliance and Other Matters***

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

***COG's Response to Findings***

The COG's response to the finding identified in our audit is described in the accompanying schedule of findings and /or corrective action plan. We did not subject the COG's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 13, 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

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

To the Board:

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

We have audited the Summit and Medina Workforce Area Council of Governments' (the COG) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Summit and Medina Workforce Area Council of Governments' major federal program for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the COG's major federal program.

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

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

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

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

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

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

In our opinion, the Summit and Medina Workforce Area Council of Governments complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

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

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 13, 2018



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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2017**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR §200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Workforce Investment Act Cluster CFDA 17.258; 17.259; and 17.278
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

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

**Financial Reporting**

<i>Finding Number</i>	2017-001
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MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Financial reporting is the responsibility of the Summit and Medina Workforce Area Council of Governments (COG) and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

For 2017, the COG overstated intergovernmental revenue and overstated non-payroll expenditures by including revenue and expenditures belonging to Medina County by \$411,286. These adjustments were made to the financial statements.

The COG lacked appropriate internal control procedures and did not review their draft financial statements prior to them being filed with the Auditor of State's office.

Management should review the draft GAAP journal entries and financial statements to help ensure they are supported by sufficient and accurate documentation, free of obvious errors and omissions, and consistent with their financial expectations. These procedures may help avoid financial statement errors and may help ensure more accurate financial reporting.

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

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

None



**Summit and Medina Workforce Area**  
Council of Governments

**Ilene Shapiro**  
Summit County Executive

**Adam Friedrich**  
Medina County Commissioner

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**DECEMBER 31, 2017**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	Any future engagements of a professional CPA firm will include a requirement to present the draft financial statements 30 business days prior to the date the financial statements are due to be filed. This draft version shall be presented to both the SAMWA COG's Executive Director and Fiscal Agent. A 30 business days mandate will permit reasonable time to review said statements for accuracy. Additionally, the review period provides the time for agreement to the statement's correctness in order to file. This reasonable time to review procedure is also true if a county fiscal staff person is selected to prepare financial statements.	This procedure takes immediate effect and remains in effect for all future reviews and audits.	Christine Marshall, Executive Director

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# Dave Yost • Auditor of State

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

**SUMMIT COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 16, 2018**