



Dave Yost • Auditor of State



**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION  
GUERNSEY COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Ohio Mid-Eastern Governments Association  
Guernsey County  
326 Highland Avenue, Suite B  
Cambridge, Ohio 43725

To the Executive Board:

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ohio Mid-Eastern Governments Association, Guernsey County, Ohio (OMEGA), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise OMEGA'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 OMEGA'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 OMEGA'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 and each major fund of the Ohio Mid-Eastern Governments Association, Guernsey County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 15 to the financial statements, during the year ended June 30, 2016, OMEGA reduced its estimate for claims payable based upon recent historical experiences. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Federal Awards Expenditures (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 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 Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule 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 March 24, 2017, on our consideration of OMEGA'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 OMEGA'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 "D" and "Y".

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

March 24, 2017

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## Ohio Mid-Eastern Governments Association

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2016*

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The discussion and analysis of the Ohio Mid-Eastern Governments Association's (OMEGA) financial performance provides an overall review of OMEGA's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at OMEGA's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of OMEGA's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- Net position of governmental activities increased by \$196,371.
- Intergovernmental revenues in the form of federal and state grants and interest received on revolving loan programs for governmental activities accounted for \$731,596 in revenue, or 84 percent of all governmental revenues of \$871,475 and 94 percent of total program specific revenues of \$776,497. Program specific revenues in the form of charges for services accounted for \$44,901 or 6 percent of total program specific revenues.
- OMEGA had \$675,104 in expenses and indirect costs related to governmental activities; all of these expenses were offset by program specific charges for services, grants, contributions and interest received on revolving loan programs. General revenues of \$94,978 and beginning net position were also available to provide for these programs.
- The Revolving Loan Fund granted one new loan during the year with aggregate proceeds of \$73,000.
- The General Fund, one of the major funds, had \$137,928 in revenues and \$8,174 in expenditures. The General Fund's balance increased by \$5,474 after transfers out to other funds. General Fund revenue increased \$13,116 between years, but expenditures decreased by \$7,608.

### **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 OMEGA 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 OMEGA'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 OMEGA's most significant funds.

### ***Reporting OMEGA as a Whole***

#### *Statement of Net Position and Statement of Activities*

While this document contains information about the funds used by OMEGA to provide programs and activities for citizens, the view of OMEGA as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows and outflows of resources 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.

These two statements report OMEGA's net position and changes in net position. This change in net position is important because it tells the reader, for OMEGA as a whole, whether 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.

**Ohio Mid-Eastern Governments Association**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2016*

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**Reporting OMEGA's Most Significant Funds**

*Fund Financial Statements*

The analysis of OMEGA's major funds begins on page 8. Fund financial reports provide detailed information about OMEGA's major funds. OMEGA uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on OMEGA's most significant funds. OMEGA's major governmental funds are the General Fund, Revolving Loan Fund, Appalachian Regional Commission Fund, State Appalachian Development Program Fund, Economic Development Administration Fund, Rural Transportation Fund, and OSU Research Foundation Fund. OMEGA has only governmental funds.

**Governmental Funds** - OMEGA'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 OMEGA'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 OMEGA'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.

**OMEGA as a Whole**

Recall that the statement of net position provides the perspective of OMEGA as a whole. Table 1 provides a summary of OMEGA's net position as of June 30, 2016, compared to June 30, 2015. OMEGA has only governmental activities.

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

|                                       | Governmental Activities |             |
|---------------------------------------|-------------------------|-------------|
|                                       | 2016                    | 2015        |
| <b>Assets</b>                         |                         |             |
| Current and Other Assets              | \$2,463,791             | \$2,317,342 |
| Capital Assets, Net                   | 40,501                  | 36,691      |
| <b>Total Assets</b>                   | 2,504,292               | 2,354,033   |
| <br>                                  |                         |             |
| <b>Deferred Outflows of Resources</b> | 220,943                 | 136,642     |
| <br>                                  |                         |             |
| <b>Liabilities</b>                    |                         |             |
| Current and Other Liabilities         | 26,156                  | 148,368     |
| Long-Term Liabilities                 | 542,697                 | 386,015     |
| <b>Total Liabilities</b>              | 568,853                 | 534,383     |
| <br>                                  |                         |             |
| <b>Deferred Inflows of Resources</b>  | 23,698                  | 19,979      |
| <br>                                  |                         |             |
| <b>Net Position</b>                   |                         |             |
| Net Investment in Capital Assets      | 30,307                  | 22,421      |
| Restricted                            | 2,164,791               | 2,057,641   |
| Unrestricted (Deficit)                | (62,414)                | (143,749)   |
| <b>Total Net Position</b>             | \$2,132,684             | \$1,936,313 |

**Ohio Mid-Eastern Governments Association**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016

Total net position increased \$196,371. Total assets increased \$150,259. Equity in pooled cash and cash equivalents and cash and cash equivalents with fiscal agents increased \$124,452 and \$67,623, respectively, due to revenues in excess of expenses. Loans receivable decreased \$71,010. One new loan was issued during the fiscal year. Principal repayments during the year totaled \$144,010, while the new loans granted were \$73,000. Deferred outflows of resources increased due primarily to the recognition of deferred outflows resulting from changes in proportionate share of the state-wide net pension liability. Total liabilities increased \$34,470, primarily as the result of an increase in net pension liability estimates in excess of a decrease in claims payable. Deferred inflows of resources increased due to the recognition of OMEGA's proportionate share of the current year actuarially-determined deferred inflows reported for the Ohio Public Employees Retirement System.

Table 2 shows the changes in net position for the year ended June 30, 2016, compared to the year ended June 30, 2015. OMEGA has only governmental activities.

**Table 2**  
**Change in Net Position**

|  | Governmental Activities |                 |
|--|-------------------------|-----------------|
|  | 2016                    | 2015            |
| <b>Revenues</b>                              |                         |                 |
| Program Revenues:                            |                         |                 |
| Charges for Services                         | \$44,901                | \$33,509        |
| Operating Grants, Contributions and Interest | 731,596                 | 828,793         |
| General Revenues:                            |                         |                 |
| Membership Fees                              | 88,599                  | 88,599          |
| Interest                                     | 4,303                   | 4,083           |
| Miscellaneous                                | 2,076                   | 2,612           |
| <b>Total Revenues</b>                        | <b>871,475</b>          | <b>957,596</b>  |
| <b>Expenses</b>                              |                         |                 |
| Economic Development                         | 497,046                 | 657,318         |
| Transportation Planning                      | 77,062                  | 126,266         |
| Indirect Costs                               | 100,996                 | 137,863         |
| <b>Total Expenses</b>                        | <b>675,104</b>          | <b>921,447</b>  |
| <b>Change in Net Position</b>                | <b>\$196,371</b>        | <b>\$36,149</b> |

In fiscal years 2016 and 2015, 84 and 87 percent of OMEGA's revenues were from operating grants, contributions and interest, respectively. In fiscal years 2016 and 2015, 10 percent and 9 percent of revenues, respectively, came from membership fees.

Program revenues accounted for 89 percent of OMEGA's revenues in fiscal year 2016, as compared to 90 percent in the prior year. These revenues consist of various federal and state grants, interest received on revolving loans and charges for services.

Economic development and transportation planning expenses account for 74 and 11 percent, respectively, of total program expenses. Indirect costs account for 15 percent of total program expenses. Total expenses were \$246,343 less in fiscal year 2016 than in 2015, which is primarily due to the loss of the State Appalachian Grant, which was a pass-through grant for the community facilities program, and due to the recognition of a change in accounting estimate for claims payable as discussed in note 15 to the basic financial statements.

**Ohio Mid-Eastern Governments Association**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2016*

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**OMEGA's Funds**

OMEGA's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$871,475 and expenditures of \$602,814. OMEGA's total revenues exceeded total spending during the fiscal year ended June 30, 2016. OMEGA reports all funds as major funds.

The General Fund balance increased by \$5,474 during fiscal year 2016, as revenues were sufficient to cover expenditures and necessary grant fund transfers. The most significant component of General Fund revenues is the fees charged to members.

***General Fund and Budgetary Highlights***

Although a legal budget is not required, budgets for expenditure of federal grants are prepared and approved by the awarding federal government agency at the time the grants are awarded. During the course of fiscal year 2016, OMEGA supplemented its Appalachian Regional Commission Fund, Economic Development Administration Fund, Rural Transportation Fund, and OSU Research Foundation Fund with transfers from the General Fund.

**Capital Assets and Debt Administration**

***Capital Assets***

OMEGA's investment in capital assets as of June 30, 2016 was \$40,501. This investment in capital assets includes office furniture and equipment and leasehold improvements. The following table shows fiscal year 2016 balances compared to fiscal year 2015:

| Capital Assets at June 30<br>(Net of Depreciation)<br>Governmental Activities |          |          |
|---|----------|----------|
|   | 2016     | 2015     |
| Office Furniture and Equipment  | \$34,953 | \$30,605 |
| Leasehold Improvements  | 5,548    | 6,086    |
| Total   | \$40,501 | \$36,691 |

Net capital assets increased \$3,810 from the prior fiscal year. This was due to capital assets additions in excess of depreciation expense.

For more information on capital assets, refer to note 13 to the basic financial statements.

***Debt***

At June 30, 2016, OMEGA had \$10,193 in an outstanding capital lease with \$3,738 due within one year.

For more information on debt, refer to notes 10 and 11 to the basic financial statements.

**Economic Factors**

OMEGA is currently operating within its means. However, OMEGA's ability to attract administrative funds for its projects is heavily dependent upon the federal and state governments and the availability of grant funds. OMEGA operates within a designated ten-county area of East Central Ohio. Loans made through the Revolving Loan Fund are to businesses within this area. The ability to repay these loans is largely contingent upon the business economy in the ten-county area.

**Ohio Mid-Eastern Governments Association**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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**Contacting OMEGA's Financial Management**

This financial report is designed to provide a general overview of OMEGA's finances for all those with an interest in OMEGA's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Sue Wood, Fiscal Officer, 326 Highland Avenue, Suite B, Cambridge, Ohio 43725.

**Ohio Mid-Eastern Governments Association**  
*Statement of Net Position*  
*June 30, 2016*

|  |             |
|--|-------------|
| <b>Assets</b>  |             |
| Equity in Pooled Cash and Cash Equivalents                   | \$754,195   |
| Equity in Pooled Cash and Cash Equivalents with Fiscal Agent | 182,681     |
| Prepaid Expenses   | 17,031      |
| Intergovernmental Receivable                                 | 56,947      |
| Loans Receivable   | 1,452,937   |
| Depreciable Capital Assets, Net                              | 40,501      |
| <i>Total Assets</i>  | 2,504,292   |
| <b>Deferred Outflows of Resources</b>                        |             |
| Pension  | 220,943     |
| <b>Liabilities</b>   |             |
| Accrued Expenses   | 21,285      |
| Claims Payable   | 4,871       |
| Long-Term Liabilities:                                       |             |
| Due Within One Year  | 25,957      |
| Due in More Than One Year                                    | 516,740     |
| <i>Total Liabilities</i>                                     | 568,853     |
| <b>Deferred Inflows of Resources</b>                         |             |
| Pension  | 23,698      |
| <b>Net Position</b>  |             |
| Net Investment in Capital Assets                             | 30,307      |
| Restricted for:  |             |
| Loans  | 1,452,937   |
| Health Benefits  | 182,681     |
| Other Purposes   | 529,173     |
| Unrestricted (Deficit)                                       | (62,414)    |
| <i>Total Net Position</i>                                    | \$2,132,684 |

See accompanying notes to the basic financial statements.

**Ohio Mid-Eastern Governments Association**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

|  | Expenses         | Indirect<br>Costs | Program Revenues        |  | Net Revenue (Expense)<br>and Change in Net Position |
|--|------------------|-------------------|-------------------------|--|---|
|  |                  |                   | Charges for<br>Services | Operating Grants,<br>Contributions<br>and Interest | Primary Government<br>Governmental<br>Activities    |
| Primary Government<br>Governmental Activities: |                  |                   |                         |  |   |
| Economic Development                           | \$497,046        | \$70,603          | \$44,901                | \$575,666  | \$52,918  |
| Transportation                                 | 77,062           | 30,393            | 0                       | 155,930  | 48,475  |
| Total Governmental Activities                  | <u>\$574,108</u> | <u>\$100,996</u>  | <u>\$44,901</u>         | <u>\$731,596</u>                                   | <u>101,393</u>                                      |
| <b>General Revenues</b>                        |                  |                   |                         |  |   |
|  |                  |                   |                         |  | 88,599  |
| Membership Fees                                |                  |                   |                         |  | 4,303   |
| Interest Income                                |                  |                   |                         |  | 2,076   |
| Miscellaneous                                  |                  |                   |                         |  | <u>94,978</u>                                       |
| <i>Total General Revenues</i>                  |                  |                   |                         |  |   |
|  |                  |                   |                         |  | 196,371   |
| Change in Net Position                         |                  |                   |                         |  |   |
| <i>Net Position Beginning of Year</i>          |                  |                   |                         |  | <u>1,936,313</u>                                    |
| <i>Net Position End of Year</i>                |                  |                   |                         |  | <u><u>\$2,132,684</u></u>                           |

See accompanying notes to the basic financial statements.

**Ohio Mid-Eastern Governments Association**

*Balance Sheet  
Governmental Funds  
June 30, 2016*

|  | General          | Revolving<br>Loan  | Appalachian<br>Regional<br>Commission | State<br>Appalachian<br>Development<br>Program | Economic<br>Development<br>Administration | Rural<br>Transportation | OSU<br>Research<br>Foundation | Total<br>Governmental<br>Funds |
|--|------------------|--------------------|---------------------------------------|--|---|-------------------------|-------------------------------|--------------------------------|
| <b>Assets</b>  |                  |                    |                                       |  |   |                         |                               |                                |
| Equity in Pooled Cash and Cash Equivalents                   | \$327,857        | \$426,338          | \$0                                   | \$0  | \$0                                       | \$0                     | \$0                           | \$754,195                      |
| Equity in Pooled Cash and Cash Equivalents with Fiscal Agent | 0                | 14,555             | 34,186                                | 57,609   | 15,399                                    | 60,932                  | 0                             | 182,681                        |
| Prepaid Items  | 0                | 1,468              | 3,249                                 | 5,548  | 1,011                                     | 5,755                   | 0                             | 17,031                         |
| Intergovernmental Receivable                                 | 14,950           | 0                  | 0                                     | 0  | 13,657                                    | 28,340                  | 0                             | 56,947                         |
| Due From Other Funds   | 0                | 0                  | 64,836                                | 1,897  | 2,797                                     | 0                       | 0                             | 69,530                         |
| Loans Receivable   | 0                | 1,452,937          | 0                                     | 0  | 0   | 0                       | 0                             | 1,452,937                      |
| <b>Total Assets</b>  | <b>\$342,807</b> | <b>\$1,895,298</b> | <b>\$102,271</b>                      | <b>\$65,054</b>                                | <b>\$32,864</b>                           | <b>\$95,027</b>         | <b>\$0</b>                    | <b>\$2,533,321</b>             |
| <b>Liabilities</b>   |                  |                    |                                       |  |   |                         |                               |                                |
| Accrued Expenses   | \$152            | \$1,869            | \$3,759                               | \$6,371  | \$1,471                                   | \$7,663                 | \$0                           | \$21,285                       |
| Due to Other Funds   | 60,466           | 3,801              | 0                                     | 0  | 0   | 5,263                   | 0                             | 69,530                         |
| Claims Payable   | 4,871            | 0                  | 0                                     | 0  | 0   | 0                       | 0                             | 4,871                          |
| <b>Total Liabilities</b>                                     | <b>65,489</b>    | <b>5,670</b>       | <b>3,759</b>                          | <b>6,371</b>                                   | <b>1,471</b>                              | <b>12,926</b>           | <b>0</b>                      | <b>95,686</b>                  |
| <b>Fund Balances</b>   |                  |                    |                                       |  |   |                         |                               |                                |
| Nonspendable:  |                  |                    |                                       |  |   |                         |                               |                                |
| Prepaid Items  | 0                | 1,468              | 3,249                                 | 5,548  | 1,011                                     | 5,755                   | 0                             | 17,031                         |
| Restricted for:  |                  |                    |                                       |  |   |                         |                               |                                |
| Health Benefits  | 0                | 14,555             | 34,186                                | 57,609   | 15,399                                    | 60,932                  | 0                             | 182,681                        |
| Revolving Loan Programs                                      | 0                | 1,873,605          | 0                                     | 0  | 0   | 0                       | 0                             | 1,873,605                      |
| Appalachian Regional Commission Programs                     | 0                | 0                  | 61,077                                | 0  | 0   | 0                       | 0                             | 61,077                         |
| Economic Development Administration Programs                 | 0                | 0                  | 0                                     | 0  | 14,983                                    | 0                       | 0                             | 14,983                         |
| Transportation Programs                                      | 0                | 0                  | 0                                     | 0  | 0   | 15,414                  | 0                             | 15,414                         |
| Unassigned   | 277,318          | 0                  | 0                                     | (4,474)  | 0   | 0                       | 0                             | 272,844                        |
| <b>Total Fund Balances</b>                                   | <b>277,318</b>   | <b>1,889,628</b>   | <b>98,512</b>                         | <b>58,683</b>                                  | <b>31,393</b>                             | <b>82,101</b>           | <b>0</b>                      | <b>2,437,635</b>               |
| <b>Total Liabilities and Fund Balances</b>                   | <b>\$342,807</b> | <b>\$1,895,298</b> | <b>\$102,271</b>                      | <b>\$65,054</b>                                | <b>\$32,864</b>                           | <b>\$95,027</b>         | <b>\$0</b>                    | <b>\$2,533,321</b>             |

See accompanying notes to the basic financial statements.



**Ohio Mid-Eastern Governments Association**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2016*

---

|   |                    |
|---|--------------------|
| <b>Total Governmental Fund Balances</b> | <b>\$2,437,635</b> |
|---|--------------------|

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

|   |        |
|---|--------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 40,501 |
|---|--------|

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 governmental funds:

|                           |                  |           |
|---------------------------|------------------|-----------|
| Deferred outflows-pension | 220,943          |           |
| Deferred inflows-pension  | (23,698)         |           |
| Net pension liability     | <u>(510,284)</u> |           |
| Total                     |                  | (313,039) |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

|                      |                 |                 |
|----------------------|-----------------|-----------------|
| Compensated Absences | (22,220)        |                 |
| Capital Lease        | <u>(10,193)</u> |                 |
| Total                |                 | <u>(32,413)</u> |

|  |                                  |
|--|----------------------------------|
| <b>Net Position of Governmental Activities</b> | <b><u><u>\$2,132,684</u></u></b> |
|--|----------------------------------|

See accompanying notes to the basic financial statements.

**Ohio Mid-Eastern Governments Association**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2016

|   | General          | Revolving<br>Loan  | Appalachian<br>Regional<br>Commission | State<br>Appalachian<br>Development<br>Program | Economic<br>Development<br>Administration | Rural<br>Transportation | OSU<br>Research<br>Foundation | Total<br>Governmental<br>Funds |
|---|------------------|--------------------|---------------------------------------|--|---|-------------------------|-------------------------------|--------------------------------|
| <b>Revenues</b>   |                  |                    |                                       |  |   |                         |                               |                                |
| Intergovernmental                                       | \$0              | \$0                | \$209,000                             | \$171,000                                      | \$56,397                                  | \$155,930               | \$5,375                       | \$597,702                      |
| Interest  | 4,303            | 58,443             | 0                                     | 0  | 0   | 0                       | 0                             | 62,746                         |
| Membership Fees   | 88,599           | 0                  | 0                                     | 0  | 0   | 0                       | 0                             | 88,599                         |
| Charges for Services                                    | 42,976           | 1,925              | 0                                     | 0  | 0   | 0                       | 0                             | 44,901                         |
| In-Kind Contributions                                   | 0                | 0                  | 67,081                                | 0  | 8,370                                     | 0                       | 0                             | 75,451                         |
| Other   | 2,050            | 26                 | 0                                     | 0  | 0   | 0                       | 0                             | 2,076                          |
| <i>Total Revenues</i>                                   | <u>137,928</u>   | <u>60,394</u>      | <u>276,081</u>                        | <u>171,000</u>                                 | <u>64,767</u>                             | <u>155,930</u>          | <u>5,375</u>                  | <u>871,475</u>                 |
| <b>Expenditures</b>                                     |                  |                    |                                       |  |   |                         |                               |                                |
| Current:  |                  |                    |                                       |  |   |                         |                               |                                |
| Economic Development                                    | 7,918            | 36,322             | 200,647                               | 80,116   | 74,831                                    | 0                       | 5,475                         | 405,309                        |
| Transportation Planning                                 | 0                | 0                  | 0                                     | 0  | 0   | 77,062                  | 0                             | 77,062                         |
| Capital Outlay  | 0                | 52                 | 14,381                                | 759  | 0   | 178                     | 0                             | 15,370                         |
| Indirect Costs  | 256              | 7,395              | 20,860                                | 30,012   | 10,791                                    | 30,393                  | 1,289                         | 100,996                        |
| Debt Service:   |                  |                    |                                       |  |   |                         |                               |                                |
| Principal Retirement                                    | 0                | 415                | 813                                   | 1,430  | 0   | 1,419                   | 0                             | 4,077                          |
| <i>Total Expenditures</i>                               | <u>8,174</u>     | <u>44,184</u>      | <u>236,701</u>                        | <u>112,317</u>                                 | <u>85,622</u>                             | <u>109,052</u>          | <u>6,764</u>                  | <u>602,814</u>                 |
| <i>Excess of Revenues Over (Under)<br/>Expenditures</i> | <u>129,754</u>   | <u>16,210</u>      | <u>39,380</u>                         | <u>58,683</u>                                  | <u>(20,855)</u>                           | <u>46,878</u>           | <u>(1,389)</u>                | <u>268,661</u>                 |
| <b>Other Financing Sources (Uses)</b>                   |                  |                    |                                       |  |   |                         |                               |                                |
| Transfers In  | 0                | 0                  | 11,008                                | 0  | 97,701                                    | 14,182                  | 1,389                         | 124,280                        |
| Transfers Out   | (124,280)        | 0                  | 0                                     | 0  | 0   | 0                       | 0                             | (124,280)                      |
| <i>Total Other Financing Sources (Uses)</i>             | <u>(124,280)</u> | <u>0</u>           | <u>11,008</u>                         | <u>0</u>                                       | <u>97,701</u>                             | <u>14,182</u>           | <u>1,389</u>                  | <u>0</u>                       |
| <i>Net Change in Fund Balances</i>                      | 5,474            | 16,210             | 50,388                                | 58,683   | 76,846                                    | 61,060                  | 0                             | 268,661                        |
| <i>Fund Balances (Deficits) Beginning of Year</i>       | 271,844          | 1,873,418          | 48,124                                | 0  | (45,453)                                  | 21,041                  | 0                             | 2,168,974                      |
| <i>Fund Balances End of Year</i>                        | <u>\$277,318</u> | <u>\$1,889,628</u> | <u>\$98,512</u>                       | <u>\$58,683</u>                                | <u>\$31,393</u>                           | <u>\$82,101</u>         | <u>\$0</u>                    | <u>\$2,437,635</u>             |

See accompanying notes to the basic financial statements.

**Ohio Mid-Eastern Governments Association**  
*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, 2016*

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**Net Change in Fund Balances - Total Governmental Funds** \$268,661

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. These are the amounts of capital additions and depreciation in the current year:

|                         |          |
|-------------------------|----------|
| Capital Asset Additions | 15,370   |
| Depreciation            | (11,560) |

|   |        |
|---|--------|
| Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. | 21,890 |
|---|--------|

|  |           |
|--|-----------|
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | (102,013) |
|--|-----------|

|   |       |
|---|-------|
| Repayment of capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 4,077 |
|---|-------|

Some expenses reported in the statement of activities do not require the use of current financial resources when due.

|                                  |      |
|----------------------------------|------|
| Increase in Compensated Absences | (54) |
|----------------------------------|------|

|  |                  |
|--|------------------|
| <b>Change in Net Position of Governmental Activities</b> | <b>\$196,371</b> |
|--|------------------|

See accompanying notes to the basic financial statements.

**Ohio Mid-Eastern Governments Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

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**Note 1 – Summary of Significant Accounting Policies**

**Reporting Entity**

The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application of Appalachian Regional Commission and Economic Development Administration grant monies.

OMEGA is a jointly governed entity administered by a twenty-one member Executive Board (Board) which acts as the authoritative body of the entity. The Board is comprised of members appointed from each participating county and the cities within each county. City membership is voluntary. The Board has total control over budgeting, personnel, and financial matters.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (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 to GASB Statements No. 14 and 34” and the financial statements include all organizations, activities, and functions that comprise OMEGA. Component units are legally separate entities for which OMEGA (the primary government) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) OMEGA's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, OMEGA. Using these criteria, OMEGA has no component units.

**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 primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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**

The government-wide financial statements are reported 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 *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, OMEGA 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 a liability is incurred, as under accrual accounting.

**Ohio Mid-Eastern Governments Association**

*Notes to the Basic Financial Statements*

*For the Year Ended June 30, 2016*

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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 OMEGA receives cash.

Fund Accounting

OMEGA 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. OMEGA 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.

OMEGA reports the following major governmental funds:

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

*Revolving Loan Fund* – The Revolving Loan Fund offers low-interest loans to businesses within OMEGA's ten-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 or private participation is required. Initial funding for the Revolving Loan Fund came from grants from the Appalachian Regional Commission, Economic Development Administration, and the United States Department of Agriculture.

*Appalachian Regional Commission Fund* – The Appalachian Regional Commission Fund is used to account for operating grant funds received from the Appalachian Regional Commission.

*State Appalachian Development Program Fund* – The State Appalachian Development Program Fund is used to account for operating grant funds received from the Ohio Development Services Agency.

*Economic Development Administration Fund* – The Economic Development Administration Fund is used to account for operating grant funds received from the Economic Development Administration.

*Rural Transportation Fund* – The Rural Transportation Fund is used to account for the Regional Transportation Planning Organization Program which serves eight counties in OMEGA's district that are not members of a metropolitan planning organization. Funding is provided by the Federal Highway Administration and the Ohio Department of Transportation.

*OSU Research Foundation Fund* – The OSU Research Foundation Fund will account for grant activity received from The Ohio State University to perform work on the Building Sustainable Communities in Ohio's Shale Region: Leveraging Manufacturing Clusters and Local Assets with Strategic Planning program.

**Ohio Mid-Eastern Governments Association**

*Notes to the Basic Financial Statements*

*For the Year Ended June 30, 2016*

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**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 becomes available. 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 OMEGA, 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.

Nonexchange transactions, in which OMEGA receives value without directly giving 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. 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 OMEGA must provide local resources to be used for a specific purpose, and expenditure requirements in which the resources are provided to OMEGA on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

**Expenses/Expenditures**

On an 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.

**Interfund Transactions**

During the course of normal operations, OMEGA has transactions between funds. Interfund transactions are generally classified as operating transfers, which are reported as “Other Financing Sources and Uses” in the governmental funds, as “Transfers In” by the recipient fund, and “Transfers Out” by the disbursing fund. These amounts are eliminated on the statement of activities.

On the governmental fund balance sheet, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” These amounts are eliminated on the statement of net position.

**Capital Assets**

General capital assets 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. OMEGA maintains a capitalization threshold of \$250. OMEGA does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. At June 30, 2016, the cost of capital assets was \$121,202. Depreciation is computed on the straight-line method over the useful lives of the related assets. Office furniture and equipment have useful lives of 3 to 7 years. Leasehold improvements have a useful life of 15 years. Depreciation expense was \$11,560 for the fiscal year ended June 30, 2016.

**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.

**Ohio Mid-Eastern Governments Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

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**Fund Balances**

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

*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* – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of OMEGA’s Executive Board. Those committed amounts cannot be used for any other purpose unless OMEGA’s Executive 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 OMEGA 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 would represent intended uses established by OMEGA’s Executive 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 the other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

OMEGA 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 liabilities in the statement of net position. Net position is reported as restricted when there are legal limitations imposed on their use by OMEGA legislation or external restrictions by creditors, grantors, or laws or regulations of other governments. If restricted and unrestricted net position is available for the same purpose, then restricted net position will be used before unrestricted net position. None of OMEGA’s restricted net position 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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Ohio Mid-Eastern Governments Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

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**Deferred Inflows and Outflows of Resources**

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balances and net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. OMEGA has deferred outflows of resources related to pensions, which is further discussed in note 5.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance and net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. OMEGA has deferred inflows of resources related to pensions, which is further discussed in note 5.

**Budgetary Process**

Although a legal budget is not required, nor is a budgetary statement presented, budgets for expenditure of federal grants are submitted to and approved by the federal government agency at the time the grants are awarded. The grants also require a contribution from nonfederal sources equal to a specified percentage of the project costs. The nonfederal contributions may be in cash or in-kind. In-kind funds for the year ended June 30, 2016, amounted to \$75,451.

**Cost Allocation**

Uniform Guidance (2 CFR 200) 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 in Uniform Guidance (2 CFR 200): "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."

Uniform Guidance (2 CFR 200) also provides options for the allocation of indirect costs accumulated in an indirect cost pool.

OMEGA chose the direct salary cost method because management has determined that this is the most equitable allocation method. Management and administrative salaries and indirect costs are allocated to the various programs using the actual rate as determined by the method shown in OMEGA's cost allocation plan. OMEGA's indirect cost rate for 2016 was 36.9503%.

**Compensated Absences**

OMEGA reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* as interpreted by Interpretation No. 6 of the GASB, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Vacation and compensatory time 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 OMEGA will compensate the employees for the benefits through paid time off or some other means. Since unused sick leave is not payable upon termination, no accrual is made for sick leave.

The entire amount is reported as a liability in the statement of net position.



**Ohio Mid-Eastern Governments Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

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**Pensions**

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

**Note 2 – Donated Space and Services**

The Board members of OMEGA have donated their time and travel expenses related to Board meetings. The total value of the wages and travel donated is estimated to be \$16,877. OMEGA also received donated office space and office equipment from various sources. The value of the space and equipment is estimated to be \$58,574. These contributions have been recognized in the accompanying financial statements.

**Note 3 – Deposits and Investments**

The investments and deposits of OMEGA 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 OMEGA to invest monies in certificates of deposit, saving accounts, money market accounts, the State Treasurer's investment pool (STAROhio) and obligations of the United States government or certain agencies thereof. OMEGA 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 five 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 OMEGA's name. OMEGA 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"). OMEGA is also prohibited from investing in reverse repurchase agreements.

**Cash with Fiscal Agent**

At June 30, 2016, OMEGA had a cash balance of \$182,681 with the Jefferson Health Plan, a claims servicing pool (see note 8), which is a portion of OMEGA's Revolving Loan, Appalachian Regional Commission, State Appalachian Development Program, Economic Development Administration, Rural Transportation and OSU Research Foundation Fund balances. The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by OMEGA. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

**Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, OMEGA's deposits may not be returned. 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 OMEGA.

**Ohio Mid-Eastern Governments Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

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At June 30, 2016, the carrying amount of OMEGA's deposits was \$754,195 and the bank balance was \$764,696. \$500,000 of the bank balance was covered by FDIC insurance and the remaining balance was collateralized by a pool of securities maintained by the financial institutions which act as depositories for OMEGA, but not in the name of OMEGA. OMEGA has no deposit policy for custodial risk beyond the requirements of State statute. In addition, OMEGA held \$180 in petty cash at fiscal year-end.

Investments

OMEGA held no investments at June 30, 2016.

**Note 4 - Concentrations**

All of OMEGA's loans and commitments have been granted to customers in a ten-county area of Mid-Eastern Ohio. OMEGA's loans are generally secured by specific items of collateral, including real property, vehicles, and business assets. Repayment of these loans is dependent, in part, upon the economic conditions of this region. Management monitors the collectibility of the revolving loan portfolio on an ongoing basis. As of June 30, 2016, management determined that all of the loan balances were fully collectible.

The majority of OMEGA's funding is through federal and state grants. Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as inappropriate expenditures. Such audits could lead to reimbursement to the grantor agency. Management of OMEGA believes disallowances, if any, would be immaterial.

**Note 5 – Defined Benefit Pension Plan**

Net Pension Liability

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

The net pension liability represents OMEGA's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the 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 OMEGA's obligation for this liability to annually required payments. OMEGA cannot control benefit terms or the manner in which pensions are financed; however, OMEGA 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 plan to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the 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.

**Ohio Mid-Eastern Governments Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

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The proportionate share of the 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 *accrued expenses* on both the accrual and modified accrual bases of accounting.

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

Plan Description - OMEGA 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. OMEGA employees) may elect the member-directed plan and the combined 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):

| <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><br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit       | <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit       | <b>Age and Service Requirements:</b><br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit         |
| <b>Formula:</b><br>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><br>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><br>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

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

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

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

**Ohio Mid-Eastern Governments Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. OMEGA's contractually required contribution to OPERS was \$43,007 for fiscal year 2016.

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

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OMEGA's proportion of the net pension liability was based on OMEGA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

|  | OPERS     |
|--|-----------|
| Proportionate Share of the Net Pension Liability | \$510,284 |
| Proportion of the Net Pension Liability          | 0.002946% |
| Pension Expense                                  | \$80,123  |

At June 30, 2016, OMEGA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Ohio Mid-Eastern Governments Association**  
*Notes to the Basic Financial Statements*  
For the Year Ended June 30, 2016

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|  | OPERS     |
|--|-----------|
| <b>Deferred Outflows of Resources</b>  |           |
| Differences between expected and actual experience                               | \$18,652  |
| Adjusted for significant change in employee head count                           | 44,817    |
| Changes of assumptions   | 4,242     |
| Net difference between projected and actual earnings on pension plan investments | 131,342   |
| OMEGA contributions subsequent to the measurement date                           | 21,890    |
| Total Deferred Outflows of Resources   | \$220,943 |
| <b>Deferred Inflows of Resources</b>   |           |
| Differences between expected and actual experience                               | \$3,719   |
| Net difference between projected and actual earnings on pension plan investments | 6,141     |
| Difference between OMEGA contributions and proportionate share of contributions  | 13,838    |
| Total Deferred Inflows of Resources  | \$23,698  |

\$21,890 reported as deferred outflows of resources related to pension resulting from OMEGA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                             | OPERS       |
|-----------------------------|-------------|
| Fiscal Year Ending June 30: |             |
| 2017                        | (\$35,033)  |
| 2018                        | (35,033)    |
| 2019                        | (35,034)    |
| 2020                        | (35,034)    |
| Total                       | (\$140,134) |

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Ohio Mid-Eastern Governments Association**

*Notes to the Basic Financial Statements*

*For the Year Ended June 30, 2016*

|  |  |
|--|--|
| Wage Inflation                               | 3.75 percent                                   |
| Future Salary Increases, including inflation | 4.25 to 10.05 percent including wage inflation |
| COLA or Ad Hoc COLA                          | 3 percent, simple                              |
| Investment Rate of Return                    | 8 percent                                      |
| Actuarial Cost Method                        | Individual Entry Age                           |

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

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2015.

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 2014 and the long-term expected real rates of return:

| Asset Class            | Target<br>Allocation | Weighted Average<br>Long-Term Expected<br>Real Rate of Return<br>(Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income           | 23.00 %              | 2.31 %  |
| Domestic Equities      | 19.90                | 5.84  |
| Real Estate            | 10.00                | 4.25  |
| Private Equity         | 10.00                | 9.25  |
| International Equities | 19.10                | 7.40  |
| Other investments      | 18.00                | 4.59  |
| Total                  | <u>100.00 %</u>      | <u>5.28 %</u>   |

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

**Ohio Mid-Eastern Governments Association**

*Notes to the Basic Financial Statements*

*For the Year Ended June 30, 2016*

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

|   | 1% Decrease<br>█ (7%) | Current<br>Discount Rate<br>█ (8%) | 1% Increase<br>█ (9%) |
|---|-----------------------|------------------------------------|-----------------------|
| OMEGA's proportionate share<br>of the net pension liability | \$813,008             | \$510,284                          | \$254,947             |

**Note 6 – Post-Employment Benefits**

Public Employees Retirement System (OPERS)

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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, 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 sponsored health care coverage.

In order to qualify for 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. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 45.

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, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their 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 2016, state and local employers contributed at a rate of 14% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**Ohio Mid-Eastern Governments Association**

*Notes to the Basic Financial Statements*

*For the Year Ended June 30, 2016*

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OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 2% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The 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 to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%

OMEGA's actual contributions for 2016, 2015, and 2014, which were used to fund OPEB were \$7,168, \$8,102, and \$5,461, respectively.

**Note 7 – Other Employee Benefits**

Full-time employees earn vacation based on the number of years of service with OMEGA. Vacation pay is accumulated and vested. In the event that any employee terminates his/her employment, he/she may be compensated for accumulated vacation pay.

**Note 8 – Risk Management**

OMEGA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. OMEGA maintains comprehensive insurance coverage with private carriers for general liability, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully co-insured.

| Type                       | Amount      | Company                  |
|----------------------------|-------------|--------------------------|
| Professional Liability     | \$1,000,000 | Cincinnati Insurance Co. |
| General Liability          | 2,000,000   | Westfield Companies      |
| Business Personal Property | 140,000     | Westfield Companies      |
| Employee Theft             | 50,000      | Westfield Companies      |

Settled claims have not exceeded coverage in any of the last three years. Coverage has been reviewed since the prior year and modifications were made where deemed appropriate.

OMEGA is a member of a claims servicing pool, consisting of school districts and other entities throughout the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on OMEGA's behalf. The plan is administered through the Jefferson Health Plan and provides stop loss protection of \$1,500,000 per individual per year. The claims liability of \$4,871, reported in the General Fund at June 30, 2016, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the past two fiscal years are as follows:

| Fiscal Year | Beginning Balance | Current Year Claims | Claims Payments* | Ending Balance |
|-------------|-------------------|---------------------|------------------|----------------|
| 2016        | \$127,549         | \$20,591            | \$143,269        | \$4,871        |
| 2015        | 109,766           | 449,456             | 431,673          | 127,549        |



**Ohio Mid-Eastern Governments Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

\*Claims payments include the recognition of expenditures/expenses for a change in accounting estimate. See note 15 for additional information.

As of June 30, 2016, OMEGA had a plan asset balance of \$182,681 with the Consortium. The entire plan asset balance is restricted for the payment of health benefits.

**Note 9 - Contingencies**

OMEGA 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 OMEGA at June 30, 2016.

**Note 10 - Leases**

Operating Lease

OMEGA leases office equipment under various operating leases with terms exceeding one year. OMEGA's administrative offices are leased under a year-to-year agreement. The amount expensed under these operating leases during the year ended June 30, 2016 was \$1,180. Minimum future payments required under leases with a minimum term exceeding one year are approximately \$1,180 for the year ending June 30, 2016.

Capital Lease

OMEGA entered into a capital lease for office equipment in December 2013. The asset under the capital lease is capitalized in the governmental activities general capital assets at \$20,387, which represents the present value of the future minimum lease payments at acquisition, plus a trade-in value on the 2009 equipment in the amount of \$1,087. A liability was recorded in the governmental activities liabilities.

The following is a schedule of future minimum lease payments under the capital lease as of June 30, 2016.

| Year Ending June 30                     | Amount          |
|---|-----------------|
| 2017                                    | \$3,738         |
| 2018                                    | 4,077           |
| 2019                                    | 2,378           |
| Total minimum lease payments            | 10,193          |
| Less amount representing interest       | (0)             |
| Present value of minimum lease payments | <u>\$10,193</u> |

**Note 11 – Long-Term Liabilities**

Changes in OMEGA's long-term liabilities during the year consisted of the following:

|                       | Outstanding<br>June 30, 2015 | Additions        | Deletions       | Outstanding<br>June 30, 2016 | Amount Due<br>Within One<br>Year |
|-----------------------|------------------------------|------------------|-----------------|------------------------------|----------------------------------|
| Capital Leases        | \$14,270                     | \$0              | \$4,077         | \$10,193                     | \$3,738                          |
| Compensated Absences  | 22,166                       | 50,113           | 50,059          | 22,220                       | 22,219                           |
| Net Pension Liability | 349,579                      | 160,705          | 0               | 510,284                      | 0                                |
| <b>Total</b>          | <u>\$386,015</u>             | <u>\$210,818</u> | <u>\$54,136</u> | <u>\$542,697</u>             | <u>\$25,957</u>                  |

**Ohio Mid-Eastern Governments Association**

*Notes to the Basic Financial Statements*

*For the Year Ended June 30, 2016*

Compensated absences will be paid out of the fund that pays the employee's salary. The capital leases are paid from the Revolving Loan, Appalachian Regional Commission, State Appalachian Development Program Fund, Economic Development Administration, and Rural Transportation Funds based on allocations approved in the cost allocation plan. OMEGA pays obligations related to employee compensation from the fund benefitting from their service.

**Note 12 – Interfund Activity**

The following is a summary of operating transfers in and out for all funds for the year ended June 30, 2016:

| Fund                                     | Transfers In     | Transfers Out    |
|--|------------------|------------------|
| General Fund                             | \$0              | \$124,280        |
| Appalachian Regional Commission Fund     | 11,008           | 0                |
| Economic Development Administration Fund | 97,701           | 0                |
| Rural Transportation Fund                | 14,182           | 0                |
| OSU Research Foundation                  | 1,389            | 0                |
| Totals                                   | <u>\$124,280</u> | <u>\$124,280</u> |

Transfers were made from the General Fund to the Appalachian Regional Commission, Economic Development Administration, Rural Transportation, and OSU Research Foundation Funds to subsidize operations.

The following is a summary of interfund balances for all funds for the year ended June 30, 2016:

| Fund                                       | Receivable      | Payable         |
|--|-----------------|-----------------|
| General Fund                               | \$0             | \$60,466        |
| Revolving Loan Fund                        | 0               | 3,801           |
| Appalachian Regional Commission Fund       | 64,836          | 0               |
| State Appalachian Development Program Fund | 1,897           | 0               |
| Economic Development Administration Fund   | 2,797           | 0               |
| Rural Transportation Fund                  | 0               | 5,263           |
| Totals                                     | <u>\$69,530</u> | <u>\$69,530</u> |

Interfund balances exist between funds to account for amounts due from the General Fund, Revolving Loan Fund, and Rural Transportation Fund to other funds for expenditures paid.

**Note 13 – Capital Asset Activity**

Capital asset activity for the year ended June 30, 2016 was as follows:

|   | Beginning<br>Balance | Additions       | Retirements | Ending<br>Balance |
|---|----------------------|-----------------|-------------|-------------------|
| Historic cost:                              |                      |                 |             |                   |
| Office furniture and equipment              | \$97,751             | \$15,370        | \$0         | \$113,121         |
| Leasehold improvements                      | 8,081                | 0               | 0           | 8,081             |
| Total historic cost                         | <u>105,832</u>       | <u>15,370</u>   | <u>0</u>    | <u>121,202</u>    |
| Less accumulated depreciation:              |                      |                 |             |                   |
| Office furniture and equipment              | (67,146)             | (11,022)        | 0           | (78,168)          |
| Leasehold improvements                      | (1,995)              | (538)           | 0           | (2,533)           |
| Total accumulated depreciation              | <u>(69,141)</u>      | <u>(11,560)</u> | <u>0</u>    | <u>(80,701)</u>   |
| Governmental activities capital assets, net | <u>\$36,691</u>      | <u>\$3,810</u>  | <u>\$0</u>  | <u>\$40,501</u>   |

**Ohio Mid-Eastern Governments Association**

*Notes to the Basic Financial Statements*

*For the Year Ended June 30, 2016*

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Depreciation expense was fully allocated to economic development.

**Note 14 - Receivables**

Receivables at June 30, 2016 consisted of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

**Note 15 – Change in Accounting Estimate**

During fiscal year 2016, OMEGA reduced its estimate for the amount of claims payable based on recent historical experiences for the reduced amount of claims payments paid in comparison to those expected to be paid during fiscal year 2016. Due to this information, OMEGA decreased its claims payable by \$106,958 and correspondingly decreased fringe benefits expenditures/expenses. This reduction resulted in a corresponding increase in fund balance/net position for the fiscal year.

**Ohio Mid-Eastern Governments Association**  
*Required Supplementary Information*  
*Schedule of OMEGA's Proportionate Share of the Net Pension Liability*  
*Last Three Fiscal Years (1)*

|  | 2013        | 2014        | 2015        |
|--|-------------|-------------|-------------|
| <i>Ohio Public Employees Retirement System</i>   |             |             |             |
| OMEGA's proportion of the net pension liability  | 0.00289840% | 0.00289840% | 0.00294600% |
| OMEGA's proportionate share of the net pension liability   | \$207,231   | \$349,579   | \$510,284   |
| OMEGA's covered-employee payroll   | \$276,030   | \$350,092   | \$405,067   |
| OMEGA's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 75.08%      | 99.85%      | 125.98%     |
| Plan fiduciary net position as a percentage of the total pension liability                               | 86.36%      | 86.45%      | 81.19%      |

The amounts presented are as of OMEGA's measurement date which was December 31.

(1) Information not available prior to 2013.

**Ohio Mid-Eastern Governments Association**  
*Required Supplementary Information*  
*Schedule of OMEGA Contributions*  
*Last Ten Fiscal Years*

|  | 2007      | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <i>Ohio Public Employees Retirement System</i>                       |           |           |           |           |           |           |           |           |           |           |
| Contractually required contribution                                  | \$26,058  | \$23,931  | \$25,175  | \$22,801  | \$24,992  | \$27,547  | \$27,603  | \$45,512  | \$48,608  | \$43,007  |
| Contributions in relation to the contractually required contribution | 26,058    | 23,931    | 25,175    | 22,801    | 24,992    | 27,547    | 27,603    | 45,512    | 48,608    | 43,007    |
| Contribution deficiency (excess)                                     | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| OMEGA's covered-employee payroll                                     | \$274,295 | \$281,541 | \$296,176 | \$268,247 | \$277,689 | \$275,470 | \$276,030 | \$350,092 | \$405,067 | \$358,392 |
| Contributions as a percentage of covered-employee payroll            | 9.50%     | 8.50%     | 8.50%     | 8.50%     | 9.00%     | 10.00%    | 10.00%    | 13.00%    | 12.00%    | 12.00%    |

The amounts presented for each fiscal year were determined as of June 30.

**Ohio Mid-Eastern Governments Association**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2016*

| Federal Grantor/Pass Through Grantor/Program Title  | Pass Through<br>Entity Number | Award Year | Federal CFDA<br>Number | Disbursements      |
|---|-------------------------------|------------|------------------------|--------------------|
| <b><u>Department of Commerce</u></b>  |                               |            |                        |                    |
| <i>Direct:</i>  |                               |            |                        |                    |
| Economic Development-Support for Planning Organizations   | N/A                           | 2015       | 11.302                 | \$29,083           |
| Economic Development-Support for Planning Organizations   | N/A                           | 2016       | 11.302                 | 27,314             |
| Total Economic Development-Support for Planning Organizations                                     |                               |            |                        | 56,397             |
| Economic Adjustment Assistance:<br>Revolving Loan Program   | N/A                           | 2015/2016  | 11.307                 | 383,179            |
| <b>Total Department of Commerce</b>   |                               |            |                        | <b>439,576</b>     |
| <b><u>Department of Transportation</u></b>  |                               |            |                        |                    |
| <i>Passed through from Ohio Department of Transportation</i>                                      |                               |            |                        |                    |
| Highway Planning and Construction   | PID 99720                     | 2015/2016  | 20.205                 | 138,600            |
| <b>Total Department of Transportation</b>   |                               |            |                        | <b>138,600</b>     |
| <b><u>Appalachian Regional Commission</u></b>   |                               |            |                        |                    |
| <i>Direct:</i>  |                               |            |                        |                    |
| Appalachian Local Development District Assistance   | N/A                           | 2015       | 23.009                 | 104,500            |
| Appalachian Local Development District Assistance   | N/A                           | 2016       | 23.009                 | 104,500            |
| Total Appalachian Local Development District Assistance   |                               |            |                        | 209,000            |
| Appalachian Research, Technical Assistance, and Demonstration Projects:<br>Revolving Loan Program | N/A                           | 2015/2016  | 23.011                 | 814,899            |
| <b>Total Appalachian Regional Commission</b>  |                               |            |                        | <b>1,023,899</b>   |
| <b>Total Federal Financial Assistance</b>   |                               |            |                        | <b>\$1,602,075</b> |

N/A - direct grant

The notes to the schedule of federal awards expenditures are an integral part of this statement.

**Ohio Mid-Eastern Governments Association**  
*Notes to the Schedule of Federal Awards Expenditures*  
*2 CFR 200.510(b)(6)*  
*For the Year Ended June 30, 2016*

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**Note 1 – Basis of Presentation**

The accompanying schedule of federal awards expenditures (the schedule) includes the federal award activity of the Ohio Mid-Eastern Governments Association’s (OMEGA) under programs of the federal government for the year ended June 30, 2016. 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 on a selected portion of the operations of OMEGA, it is not intended to and does not present the financial position or changes in net position or fund balances of OMEGA.

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

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

**Note 3 – Revolving Loan Fund**

OMEGA has established a Revolving Loan Program to provide low-interest loans to businesses to create or retain jobs in the region. The Appalachian Regional Commission (ARC) and the Economic Development Administration (EDA) have granted money for these loans to OMEGA. The initial loan of this money is recorded as a disbursement on the schedule. The principal portion of loans repaid is used to make additional loans. Subsequent loans are subject to certain compliance requirements imposed by the grantors, and are also 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.

Current year activity in the EDA Revolving Loan fund during fiscal year 2016 is as follows:

|   |                  |
|---|------------------|
| Loans receivable balance as of June 30, 2016                        | \$338,842        |
| Cash balance on hand in the revolving loan fund as of June 30, 2016 | 37,619           |
| Administrative costs expended during fiscal year 2016               | 6,718            |
| Total (federal share of 100%)                                       | <u>\$383,179</u> |

Current year activity in the ARC Revolving Loan fund during fiscal year 2016 is as follows:

|   |                  |
|---|------------------|
| Loans receivable balance as of June 30, 2015          | \$797,789        |
| New loans disbursed during 2016                       | 0                |
| Administrative costs expended during fiscal year 2016 | 17,110           |
| Total   | <u>\$814,899</u> |

**Note 4 – Matching Requirements**

Certain federal programs require OMEGA to contribute non-federal funds (matching funds) to support the federally-funded programs. OMEGA has met its matching requirements. The schedule does not include the expenditure of non-federal matching funds.

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# 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

Ohio Mid-Eastern Governments Association  
Guernsey County  
326 Highland Avenue, Suite B  
Cambridge, Ohio 43725

To the Executive 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 each major fund of the Ohio Mid-Eastern Governments Association, Guernsey County, Ohio (OMEGA), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise OMEGA's basic financial statements and have issued our report thereon dated March 24, 2017 wherein we noted OMEGA revised its accounting estimate related to claims payable.

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

As part of our financial statement audit, we considered OMEGA'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 OMEGA'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 OMEGA'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 2016-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether OMEGA'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*.

***OMEGA's Response to Finding***

OMEGA'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 OMEGA'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 OMEGA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering OMEGA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose



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

March 24, 2017



# 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

Ohio Mid-Eastern Governments Association  
Guernsey County  
326 Highland Avenue, Suite B  
Cambridge, Ohio 43725

To the Executive Board:

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

We have audited the Ohio Mid-Eastern Government Association's, Guernsey County, Ohio (OMEGA), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect OMEGA's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies OMEGA's major federal program.

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

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

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

Our responsibility is to opine on OMEGA's compliance for OMEGA's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about OMEGA'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 OMEGA's major program. However, our audit does not provide a legal determination of OMEGA's compliance.

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

In our opinion, OMEGA 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 June 30, 2016.

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

The OMEGA'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 OMEGA'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 OMEGA'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 24, 2017

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016**

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

|                     |   |  |
|---------------------|---|--|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion   | Unmodified                                 |
| <i>(d)(1)(ii)</i>   | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?   | Yes  |
| <i>(d)(1)(ii)</i>   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?  | No   |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?   | No   |
| <i>(d)(1)(iv)</i>   | Were there any material weaknesses in internal control reported for major federal programs?   | No   |
| <i>(d)(1)(iv)</i>   | Were there any significant deficiencies in internal control reported for major federal programs?  | No   |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion  | Unmodified                                 |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under 2 CFR Part 200.516(a)?  | No   |
| <i>(d)(1)(vii)</i>  | <b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Appalachian Research, Technical Assistance and Demonstration Projects: Revolving Loan Program – CFDA # 23.011</li> </ul> |  |
| <i>(d)(1)(viii)</i> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others |
| <i>(d)(1)(ix)</i>   | 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 2016-001**

**Material Weakness**

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements in accordance with generally accepted accounting principles.

We noted the following misstatements:

- Activity recorded in the Revolving Loan Fund contained direct expenses charged to the Revolving Loan Administration Fund and indirect expenses that are reimbursed to the Revolving Loan Administration Fund on a quarterly basis from the OMEGA Revolving Loan Fund, ARC Revolving Loan Fund, EDA Revolving Loan Fund and the RBEG Revolving Loan Fund. All of these funds are combined and reported as the Revolving Loan Fund on the financial statements; however, this intrafund activity was not eliminated. This resulted in overstating the receipts expenditures in the Revolving Loan Fund in the amount of \$30,987.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
|---|

**FINDING NUMBER 2016-001 (Continued)**

**Material Weakness (Continued)**

- In addition, a receivable for the reimbursement of 2016 2<sup>nd</sup> quarter expenses between these funds was also recorded on the financial statements. This resulted in Intergovernmental Receivable and Interest Revenue being overstated by \$11,944.
  
- OMEGA failed to properly report a portion of Intergovernmental Receivables in the Economic Development Administration Fund. Intergovernmental Receivables and Intergovernmental Revenue were therefore understated by \$13,657 as of June 30, 2016.

Adjustments, with which management has agreed, are reflected in the accompanying financial statements.

In addition to the above items, immaterial unadjusted differences were noted related to OMEGA's reporting of health benefit activity. Management determined it was more appropriate to account for its health benefit activity within the various funds of OMEGA, which are responsible for fringe benefits, rather than in the General Fund as in previous years. This was a result of a significant change in accounting estimate being made by management as the claims liabilities were reported within the General Fund at June 30, 2015; however, subsequent claim payments in fiscal year 2016 totaled only \$20,591. Therefore, plan assets, the reduction of the estimate, and current year claims activity were allocated to the funds which are ultimately responsible for the fringe benefit payments; however, beginning fund balances were not restated and the claims liability was still reported on the financial statements within the General Fund. Also, restricted net position was reported on the Statement of Net Position equal to plan assets rather than plan assets being reduced by claims liabilities on the financial statements to arrive at restricted net position.

Failure to properly report financial activity in accordance with generally accepted accounting principles could result in material misstatements occurring and remaining undetected and fail to provide management with an accurate picture of OMEGA's financial position and operations.

Management should take the necessary steps to ensure that all receipts, disbursements, assets, equity and fund balances of OMEGA are properly presented and disclosed in the basic financial statements. Activity should be reviewed to ensure that all intra-fund activity is identified and appropriately eliminated, all receivables are properly reported and estimates are consistent with subsequent results.

**Officials' Response:** See Corrective Action Plan.

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
|--|

None

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION  
GUERNSEY COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR PART 200.511(c)  
JUNE 30, 2016**

| Finding Number | Planned Corrective Action   | Anticipated Completion Date  | Responsible Contact Person                               |
|----------------|---|--|--|
| 2016-001       | <p><u>Activity recorded in the Revolving Loan Program:</u><br/><b>We have brought this to the attention of our compiler and it will be corrected in next year's financial statements. We are taking the steps to correct this issue in our accounting records.</b></p> <p><u>Intergovernmental Receivables in the Economic Development Administration Fund:</u><br/><b>Receivables were computed in error. We will review our close-out process to ensure receivables are reported at the proper amount going forward. We are taking the steps to correct this issue.</b></p> <p><u>Immaterial unadjusted differences were noted related to OMEGA's reporting of health benefit activity:</u><br/><b>This was an oversight. We have brought this to the attention of our compiler for future consideration. This process will be corrected in next year's financial statements.</b></p> | <p>FY 2017<br/>6/30/2017</p> <p>FY 2017<br/>6/30/2017</p> <p>FY 2017<br/>6/30/2017</p> | <p>M. Sue Wood</p> <p>M. Sue Wood</p> <p>M. Sue wood</p> |

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# Dave Yost • Auditor of State

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION**

**GUERNSEY 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 6, 2017**