



OHIO AUDITOR OF STATE
KEITH FABER



**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
GUERNSEY COUNTY
JUNE 30, 2018**

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**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
GUERNSEY COUNTY
JUNE 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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, 2018, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ohio Mid-Eastern Governments Association, Guernsey County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2018, OMEGA adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

In addition, as discussed in Note 1 to the financial statements, as of July 1, 2017, OMEGA restated the fund balances of its General and Special Revenue Funds to update the reallocation of the cash balances of these funds.

We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

March 19, 2019

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Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

The discussion and analysis of the Ohio Mid-Eastern Governments Association (OMEGA) financial performance provides an overall review of OMEGA's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at OMEGA's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of OMEGA's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position decreased \$76,783, which represents a 4 percent decrease from 2017.
- Capital assets increased \$27,762 during fiscal year 2018.
- During the year, outstanding debt increased from \$6,117 to \$17,226 due to the OMEGA entering into a new lease agreement.
- OMEGA implemented GASB 75, which reduced beginning net position as previously reported by \$257,576.

Using this Annual Report

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole OMEGA, 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 the Statement of Activities

While the basic financial statements contain the large number of funds used by OMEGA to provide programs and activities, the view of OMEGA as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows 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.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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 that, for OMEGA as a whole, the financial position of the OMEGA has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the availability of federal and state grant funding, continued support from member governments, and other factors.

Reporting the OMEGA's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 15. 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 rural transit pilot program fund. OMEGA has only governmental funds.

Governmental Funds Most of 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 government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational 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.

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Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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 the OMEGA's net position for 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities	
	2018	Restated 2017
Assets		
Current and Other Assets	\$ 2,550,512	\$ 2,555,170
Capital Assets	60,444	32,682
<i>Total Assets</i>	2,610,956	2,587,852
Deferred Outflows of Resources		
Pension & OPEB	103,872	222,283
Liabilities		
Current Liabilities	39,062	31,897
Long-Term Liabilities:		
Due Within One Year	32,965	29,213
Due in More Than One Year		
Pension & OPEB	719,724	888,524
Other Amounts	13,398	2,040
<i>Total Liabilities</i>	805,149	951,674
Deferred Inflows of Resources		
Pension & OPEB	148,190	20,189
Net Position		
Net Investment in Capital Assets	43,218	26,565
Restricted	2,063,621	2,182,998
Unrestricted	(345,350)	(371,291)
<i>Total Net Position</i>	\$ 1,761,489	\$ 1,838,272

The net pension liability (NPL) is the largest single liability reported by OMEGA at June 30, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For fiscal year 2018, OMEGA adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of OMEGA's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the OMEGA is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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

As a result of implementing GASB 75, OMEGA is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$2,095,848 to \$1,838,272.

Capital assets include leasehold improvements and furniture and equipment. Net investment in capital assets were \$43,218 at June 30, 2018. These capital assets are used to provide services to members and are not available for future spending. Although the OMEGA's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of OMEGA's net position, \$2,063,621 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$(345,350).

Total assets increased \$23,104 due to purchase of additional capital assets in fiscal year 2018.

Long term debt increased due to OMEGA entering into a new lease during fiscal 2018, only partially offset by principal payments.

The fluctuations in deferred outflow/inflow of resources related to pension/OPEB and net pension/OPEB liability is due to change in various components of OPERS accruals and amortization of balances.

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Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2018 and 2017.

Table 2
Changes in Net Position

	2018	2017
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 18,198	\$ 31,034
Operating Grants	803,402	729,750
<i>Total Program Revenues</i>	821,600	760,784
<i>General Revenues:</i>		
Membership Fees	88,619	88,599
Other	10,938	7,636
<i>Total General Revenues</i>	99,557	96,235
<i>Total Revenues</i>	921,157	857,019
Program Expenses		
Economic Development	624,863	631,046
Transportation	230,943	146,443
Indirect Costs	142,134	116,366
<i>Total Expenses</i>	997,940	893,855
<i>Increase (Decrease) in Net Position</i>	\$ (76,783)	\$ (36,836)

In fiscal years 2018 and 2017, 87 and 85 percent of OMEGA's revenues were from operating grants, contributions and interest, respectively. In both fiscal years 2018 and 2017, 10 percent came from membership fees.

Program revenues accounted for 89 percent of OMEGA's revenues in fiscal year 2018 and 2017. These revenues consist of various federal and state grants, interest received on revolving loans, and charges for services.

During fiscal year 2018 economic development and transportation planning expenses account for 63 and 23 percent, respectively, of total program expenses. Indirect costs account for 14 percent of total program expenses.

Transportation expenses increased in fiscal year 2018 due to increased rural transportation funding and related expenses, as well as the new rural transit pilot program.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$3,518 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$25,021. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	\$	997,940
OPEB Expense under GASB 75		(25,021)
2018 Contractually Required Contribution		4,264
Adjusted 2018 Program Expenses		977,183
Total 2017 Program Expenses under GASB 45		893,855
Increase in Program Expenses not Related to OPEB	\$	83,328

OMEGA's Funds

OMEGA's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$890,538 and expenditures of \$952,120. OMEGA's total spending exceeded total revenues during fiscal year ended June 30, 2018. OMEGA reports all funds as major funds.

The general fund balance increased by \$10,438 during fiscal year 2018, as revenues were sufficient to cover expenditures and necessary grant fund transfers. The most significant component of the general fund revenues is the fees charged to members.

General Fund Budgeting Highlights

Although a legal budget is not required, budgets for expenditures 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 2018, OMEGA supplemented its appalachian regional commission fund, economic development administration fund, and rural transportation fund with transfers from the general fund.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, OMEGA had \$60,444 invested in capital assets. Table 4 shows fiscal year 2018 balances compared with 2017.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Office Furniture	\$ 55,972	\$ 27,672
Leasehold Improvements	4,472	5,010
<i>Totals</i>	\$ 60,444	\$ 32,682

The \$27,762 increase in capital assets was attributable to purchases exceeding depreciation in the current year. See Note 13 for more information about the capital assets of OMEGA.

Debt

At June 30, 2018, OMEGA had \$17,226 in an outstanding capital lease with \$3,828 due within one year. See Notes 10 and 11 for additional details.

Current Issues

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.

Contacting the OMEGA's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of OMEGA's finances and to show OMEGA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Cindi Metz, Fiscal Officer 326 Highland Avenue, Suite B, Cambridge, OH 43725 or cindim@omegadistrict.org.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 401,351
Cash and Cash Equivalents in Segregated Accounts	507,333
Cash and Cash Equivalents with Fiscal Agent	183,547
Receivables:	
Intergovernmental	103,976
Loans	1,338,408
Prepaid Items	15,897
Depreciable Capital Assets (Net)	60,444
<i>Total Assets</i>	2,610,956
Deferred Outflows of Resources	
Pension	80,963
OPEB	22,909
<i>Total Deferred Outflows of Resources</i>	103,872
Liabilities	
Accrued Expenses	30,024
Funds Due to Grantors	7,385
Claims Payable	1,653
Long Term Liabilities:	
Due Within One Year	32,965
Due In More Than One Year:	
Net Pension Liability	437,383
Net OPEB Liability	282,341
Other Amonts Due in More Than One Year	13,398
<i>Total Liabilities</i>	805,149
Deferred Inflows of Resources	
Pension	127,157
OPEB	21,033
<i>Total Deferred Inflows of Resources</i>	148,190
Net Position	
Net Investment in Capital Assets	43,218
Restricted For:	
Loans	1,338,408
Health Benefits	140,218
Other Purposes	584,995
Unrestricted	(345,350)
<i>Total Net Position</i>	\$ 1,761,489

See accompanying notes to the basic financial statements.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Indirect Costs	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Primary Government					
Governmental Activities:					
Economic Development	\$ 624,863	\$ 96,081	\$ 18,198	\$ 551,094	\$ (151,652)
Transportation	230,943	46,053	0	252,308	(24,688)
<i>Total Governmental Activities</i>	<u>\$ 855,806</u>	<u>\$ 142,134</u>	<u>\$ 18,198</u>	<u>\$ 803,402</u>	<u>(176,340)</u>
General Revenues					
Membership Fees					88,619
Investment Earnings					5,148
Miscellaneous					5,790
<i>Total General Revenues</i>					<u>99,557</u>
<i>Change in Net Position</i>					(76,783)
<i>Net Position Beginning of Year (Restated - See Note 1)</i>					1,838,272
<i>Net Position End of Year</i>					<u>\$ 1,761,489</u>

See accompanying notes to the basic financial statements.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Revolving Loan	Appalachian Regional Commission	State Appalachian Development Program	Economic Development Administration	Rural Transportation	Rural Transit Pilot Program	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$ 352,784	\$ 0	\$ 44,815	\$ 3,752	\$ 0	\$ 0	\$ 0	\$ 401,351
Cash and Cash Equivalents in Segregated Accounts	0	507,333	0	0	0	0	0	507,333
Cash and Cash Equivalents with Fiscal Agent	737	7,989	47,023	40,496	27,829	45,935	13,538	183,547
Receivables:								
Intergovernmental	14,984	0	0	0	24,227	44,230	20,535	103,976
Loans	0	1,338,408	0	0	0	0	0	1,338,408
Prepaid Items	64	692	4,073	3,507	2,410	3,978	1,173	15,897
Interfund Receivable	80,454	0	0	0	0	0	0	80,454
Total Assets	\$ 449,023	\$ 1,854,422	\$ 95,911	\$ 47,755	\$ 54,466	\$ 94,143	\$ 35,246	\$ 2,630,966
Liabilities								
Accrued Expenses	\$ 457	\$ 1,235	\$ 7,270	\$ 6,533	\$ 4,302	\$ 8,136	\$ 2,091	\$ 30,024
Interfund Payable	0	0	0	0	19,174	42,406	18,874	80,454
Funds Due to Grantors	0	0	5,851	1,534	0	0	0	7,385
Claims Payable	7	72	423	365	251	413	122	1,653
Total Liabilities	464	1,307	13,544	8,432	23,727	50,955	21,087	119,516
Deferred Inflows of Resources								
Unavailable Revenue	0	0	0	0	0	19,214	11,405	30,619
Fund Balances								
Nonspendable	64	692	4,073	3,507	2,410	3,978	1,173	15,897
Restricted	730	1,852,423	78,294	35,816	28,329	19,996	1,581	2,017,169
Unassigned	447,765	0	0	0	0	0	0	447,765
Total Fund Balances	448,559	1,853,115	82,367	39,323	30,739	23,974	2,754	2,480,831
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 449,023	\$ 1,854,422	\$ 95,911	\$ 47,755	\$ 54,466	\$ 94,143	\$ 35,246	\$ 2,630,966

See accompanying notes to the basic financial statements.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		\$ 2,480,831
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		60,444
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental		30,619
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds.		
Deferred Outflows - Pension	80,963	
Deferred Outflows - OPEB	22,909	
Net Pension Liability	(437,383)	
Net OPEB Liability	(282,341)	
Deferred Inflows - Pension	(127,157)	
Deferred Inflows - OPEB	(21,033)	(764,042)
<hr/>		
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Capital Lease Obligation	(17,226)	
Compensated Absences	(29,137)	(46,363)
<hr/>		
<i>Net Position of Governmental Activities</i>		<u>\$ 1,761,489</u>

See accompanying notes to the basic financial statements.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Revolving Loan	Appalachian Regional Commission	State Appalachian Development Program	Economic Development Administration	Rural Transportation	Rural Transit Pilot Program	Total Governmental Funds
Revenues								
Intergovernmental	\$ 0	\$ 0	\$ 203,149	\$ 168,466	\$ 51,541	\$ 176,028	\$ 45,661	\$ 644,845
Investment Income	5,148	55,880	0	0	0	0	0	61,028
Membership Fees	88,619	0	0	0	0	0	0	88,619
Charges for Services	15,184	3,014	0	0	0	0	0	18,198
In-Kind Contributions	0	0	62,133	0	9,925	0	0	72,058
Miscellaneous	5,650	140	0	0	0	0	0	5,790
Total Revenues	114,601	59,034	265,282	168,466	61,466	176,028	45,661	890,538
Expenditures								
Current:								
Economic Development	10,993	54,228	242,932	144,881	97,721	0	0	550,755
Transportation Planning	0	0	0	0	0	173,032	31,111	204,143
Indirect Costs	583	6,319	37,193	32,034	22,011	36,331	10,708	145,179
Capital Outlay	104	1,125	9,098	5,703	6,769	19,306	1,907	44,012
Debt Service:								
Principal Retirement	32	350	2,058	1,769	1,218	2,011	593	8,031
Total Expenditures	11,712	62,022	291,281	184,387	127,719	230,680	44,319	952,120
<i>Excess of Revenues Over (Under) Expenditures</i>	102,889	(2,988)	(25,999)	(15,921)	(66,253)	(54,652)	1,342	(61,582)
Other Financing Sources (Uses)								
Inception of Capital Lease	77	833	4,903	4,223	2,902	4,790	1,412	19,140
Transfers In	0	0	7,439	0	63,913	21,176	0	92,528
Transfers Out	(92,528)	0	0	0	0	0	0	(92,528)
Total Other Financing Sources (Uses)	(92,451)	833	12,342	4,223	66,815	25,966	1,412	19,140
Net Change in Fund Balance	10,438	(2,155)	(13,657)	(11,698)	562	(28,686)	2,754	(42,442)
Fund Balances Beginning of Year (Restated - See Note 1)	438,121	1,855,270	96,024	51,021	30,177	52,660	0	2,523,273
Fund Balances End of Year	\$ 448,559	\$ 1,853,115	\$ 82,367	\$ 39,323	\$ 30,739	\$ 23,974	\$ 2,754	\$ 2,480,831

See accompanying notes to the basic financial statements.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
*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, 2018*

Net Change in Fund Balances - Total Governmental Funds	\$	(42,442)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 44,012	
Current Year Depreciation	<u>(12,172)</u>	31,840
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(4,078)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental		30,619
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Capital Leases		8,031
Debt proceeds issued in the governmental funds that increase long-term in the statement of net position are not reported as revenues.		
Inception of Capital Lease		(19,140)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	27,714	
OPEB	<u>2,132</u>	29,846
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	(82,437)	
OPEB	<u>(25,021)</u>	(107,458)
Some expenses reported in the statement of activities do not require the use of the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(4,001)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>(76,783)</u>

See accompanying notes to the basic financial statements.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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 applications 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.

C. 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.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Government-wide 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 revenue 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.

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 purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows 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.

Ohio Mid-Eastern Governments Association

Guernsey County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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.

Rural Transit Pilot Program Fund The Rural Transit Pilot Program Fund is used to account for the Coordinated Human Services Transportation Pilot Program which serves ten counties in OMEGA’s district. Funding is provided by the Federal Transit Agency.

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.

Non-exchange 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 non-exchange 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 measureable.

D. 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 “interfund receivable/payable”. These amounts are eliminated on the statement of net position.

E. 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.

Ohio Mid-Eastern Governments Association

Guernsey County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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. Donated assets are reported at acquisition value. 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, 2018, the cost of capital assets was \$146,331. 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 \$12,172 for the fiscal year ended June 30, 2018.

F. 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.

G. 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 The committed 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.

Ohio Mid-Eastern Governments Association

Guernsey County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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.

H. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the OMEGA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

I. 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.

J. Deferred Inflows and Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For OMEGA, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 5 and 6.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For OMEGA, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 5 and 6).

K. 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, 2018 amounted to \$72,058.

Ohio Mid-Eastern Governments Association

Guernsey County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

L. 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 2018 was 34.58%.

M. Compensation 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.

N. Pension and Postemployment Benefits (OPEB)

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

O. Implementation of New Accounting Principles and Restatement of Net Position/Fund Balance

For the fiscal year ended June 30, 2018, OMEGA has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

Ohio Mid-Eastern Governments Association

Guernsey County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of OMEGA.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. These changes were incorporated in OMEGA's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of OMEGA.

Net Position, June 30, 2017	\$ 2,095,848
Adjustments:	
Net OPEB Liability	(261,094)
Deferred Outflow-Payments Subsequent to Measurement Date	3,518
Restated Net Position, July 1, 2017	<u>\$ 1,838,272</u>

Other than employer contributions subsequent to the measurement date, OMEGA made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

OMEGA restated the prior year fund balance to update the reallocation of the cash balances between general and special revenue funds. Below is a table of the corrected fund balances:

	General	Revolving Loan	Appalachian Regional Commission	State Appalachian Development Program	Economic Development Administration	Rural Transportation	Total Governmental Funds
Fund Balance, June 30, 2017	\$ 341,206	\$ 1,846,983	\$ 133,113	\$ 60,653	\$ 47,806	\$ 93,512	\$ 2,523,273
Reallocate Cash Balance Between Funds	96,915	8,287	(37,089)	(9,632)	(17,629)	(40,852)	0
Restated Fund Balance, July 1, 2017	<u>\$ 438,121</u>	<u>\$ 1,855,270</u>	<u>\$ 96,024</u>	<u>\$ 51,021</u>	<u>\$ 30,177</u>	<u>\$ 52,660</u>	<u>\$ 2,523,273</u>

Ohio Mid-Eastern Governments Association

Guernsey County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 \$32,936. OMEGA also received donated office space and office equipment from various sources. The value of the space and equipment is estimated to be \$39,122. 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. 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.

A. Cash with Fiscal Agent

At June 30, 2018, OMEGA had a cash balance of \$183,547 with the Jefferson Health Plan, a claims servicing pool (see Note 8), which is a portion of OMEGA's General, Revolving Loan, Appalachian Regional Commission, State Appalachian Development Program, Economic Development Administration, Rural Transportation and Rural Transit Pilot Program 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.

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, OMEGA's deposits may not be returned. Protection of the OMEGA's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

C. Investments

OMEGA held no investments at June 30, 2018.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 collectability of the revolving loan portfolio on an ongoing basis. As of June 30, 2018, 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/Net OPEB Liability

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

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

GASB 68/75 assumes the liability is solely the obligation of employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the pension amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The proportionate share of each plan’s unfunded benefits is presented as a long –term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on the accrual basis of accounting. The remainder of this of this note includes the required pension disclosures. See Note 6 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS): OMEGA participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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. While members (e.g. OMEGA employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of Jan. 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, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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.

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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 Jan. 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring subsequent to Jan. 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

Funding Policy: The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For fiscal year 2018, members in state and local classifications contributed 10 percent of covered payroll.

For fiscal year 2018, the employer contribution rate was 14 percent. The portion of the employer's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was one percent for fiscal year 2018. Employer contribution rates are actuarially determined.

OMEGA's contractually required contribution was \$55,427 for fiscal year 2018.

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, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OMEGA's portion of 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 Traditional pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportion of the Net Pension Liability:	
Current Measurement Period	0.00278800%
Prior Measurement Period	<u>0.00276311%</u>
Change in Proportion	<u><u>0.00002489%</u></u>
Proportionate Share of the Net	
Pension Liability	\$ 437,383
Pension Expense	\$ 82,437

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At June 30, 2018, OMEGA reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between Expected and Actual Experience	\$ 446
Changes of Assumptions	52,271
Changes in Proportionate Share	532
OMEGA Contributions Subsequent to the Measurement Date	27,714
Total Deferred Outflows of Resources	\$ 80,963
Deferred Inflows of Resources	
Differences between Expected and Actual Experience	\$ 8,620
Net Difference between Projected and Actual Earnings on Pension Plan Investments	93,902
Changes in Proportionate Share	24,635
Total Deferred Inflows of Resources	\$ 127,157

\$27,714 reported as deferred outflows of resources related to pension resulting from OMEGA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2019	\$ 23,791
2020	(17,766)
2021	(41,348)
2022	(38,585)
	\$ (73,908)

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actual valuation as of December 31, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017 are presented below.

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<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Valuation Date	December 31, 2017
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

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 2017 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
OMEGA's proportionate share of the net pension liability:	\$ 776,681	\$ 437,383	\$ 154,511

NOTE 6 – DEFINED BENEFIT OPEB PLANS

See Note 5 for a description of the net OPEB liability.

Plan Description — Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

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

Funding Policy: The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. 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 fiscal year 2018, state employers contributed at a rate of 14 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning Jan. 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. OMEGA's contractually required contribution was \$4,264 for fiscal year 2018.

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

The net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care costs accruals, the health care payment, and interest accruals during the year. OMEGA's proportion of the net OPEB liability was based on OMEGA's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportion of the Net OPEB Liability	
Current Measurement Date	0.00260000%
Prior Measurement Date	0.00258500%
Change in Proportionate Share	0.00001500%
Proportionate Share of the Net OPEB Liability	\$ 282,341
OPEB Expense	\$ 25,021

At June 30, 2018, OMEGA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between Expected and	
Actual Experience	\$ 220
Changes of Assumptions	20,557
OMEGA Contributions Subsequent to the	
Measurement Date	2,132
Total Deferred Outflows of Resources	\$ 22,909
Deferred Inflows of Resources	
Net Difference between Projected and	
Actual Earnings on OPEB Plan Investments	\$ 21,033

\$2,132 reported as deferred outflows of resources related to OPEB resulting from OMEGA contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

	OPERS
Fiscal Year Ending June 30:	
2019	\$ 4,676
2020	4,676
2021	(4,349)
2022	(5,259)
	\$ (256)

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Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Actuarial Cost Method	Individual Entry Age
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Single Discount Rate	3.85 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial, 3.25 percent ultimate in 2028

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

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

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

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During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate: A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of OMEGA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents OMEGA's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what OMEGA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

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	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
OMEGA's Proportionate Share of the Net OPEB Liability	\$ 375,102	\$ 282,341	\$ 207,298

Sensitivity of OMEGA's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
OMEGA's Proportionate Share of the Net OPEB Liability	\$ 270,140	\$ 282,341	\$ 294,944

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 an 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.

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<u>Type</u>	<u>Amount</u>	<u>Company</u>
Professional Liability	\$ 1,000,000	Cincinnati Insurance Co.
General Liability	2,000,000	Westfield Companies
Business Personal Property	150,000	Westfield Companies
Employee Theft	50,000	Westfield Companies

Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

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 \$1,653, reported as \$7, \$72, \$423, \$365, \$251, \$413 and \$122 within the General, Revolving Loan, Appalachian Regional Commission, State Appalachian Development Program, Economic Development Administration, Rural Transportation, and Rural Transit Pilot Program funds, respectively, at June 30, 2018, 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 yet reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2018	\$ 11,512	\$ 220,579	\$ 230,438	\$ 1,653
2017	4,871	41,924	35,283	11,512

As of June 30, 2018, OMEGA had a plan asset balance of \$183,547 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, 2018.

OMEGA is not currently party to legal proceedings.

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NOTE 10 – LEASES

A. 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, 2018 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, 2018.

B. Capital Lease

In prior years OMEGA entered into a capital lease for office equipment. This lease was paid off in December 2017, and they entered into a new lease for office equipment. These leases met the criteria of a capital lease as defined by generally accepted accounting principles, in that they transfer the benefits and risks of ownership to the lessee. The new office equipment has been capitalized in the amount of \$19,140. This amount represents the present value of the minimum lease payments at the time of the acquisition. At June 30, 2018 the net book value for the office equipment was \$17,226 after accumulated depreciation of \$1,914.

The following is a schedule of future minimum lease payments under the capital lease as of June 30, 2018.

	Amount
Fiscal Year Ending June 30, 2019	\$ 3,828
2020	3,828
2021	3,828
2022	3,828
2023	1,914
	17,226
Less: amount representing interest	0
Present value of net minimum lease payments	\$ 17,226

NOTE 11– LONG-TERM LIABILITIES

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

	Restated			Outstanding	Due Within
	Outstanding	Additions	Deductions	6/30/2018	One Year
	06/30/2017				
Governmental Activities					
Net Pension Liability	\$ 627,430	\$ 0	\$ (190,047)	\$ 437,383	\$ 0
Net OPEB Liability	261,094	21,247	0	282,341	0
Capital Lease	6,117	19,140	(8,031)	17,226	3,828
Compensated Absences	25,136	62,625	(58,624)	29,137	29,137
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$ 919,777	\$ 103,012	\$ (256,702)	\$ 766,087	\$ 32,965

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Compensated absences will be paid out of the fund that pays the employee's salary. The capital leases are paid from the General, Revolving Loan, Appalachian Regional Commission, State Appalachian Development Program, Economic Development Administration, Rural Transportation, and Rural Transit Pilot Program funds based on allocations approved in the cost allocation plan. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 5 and 6.

NOTE 12– INTERFUND ACTIVITY

The following is a summary of operating transfers in and out for all funds for the year ended June 30, 2018:

	Transfer In	Transfers Out
General Fund	\$ 0	\$ 92,528
Appalachian Regional Commission	7,439	0
Economic Development Administration	63,913	0
Rural Transportation	21,176	0
Total	\$ 92,528	\$ 92,528

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

The following is a summary of interfund balances for all funds for the year ended June 30, 2018:

	Interfund Receivable	Interfund Payable
General Fund	\$ 80,454	\$ 0
Economic Development Administration	0	19,174
Rural Transportation	0	42,406
Rural Transit	0	18,874
Total	\$ 80,454	\$ 80,454

The primary purpose of the interfund loans is to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received. All interfund loans are expected to be repaid within one year.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 13 – CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance 06/30/2017	Additions	Reductions	Balance 06/30/2018
Governmental Activities:				
<i>Depreciable Capital Assets:</i>				
Office Furniture and Equipment	\$ 114,625	\$ 44,012	\$ (20,387)	\$ 138,250
Leasehold Improvements	8,081	0	0	8,081
<i>Total Capital Assets, Being Depreciated</i>	<u>122,706</u>	<u>44,012</u>	<u>(20,387)</u>	<u>146,331</u>
<i>Less Accumulated Depreciation:</i>				
Office Furniture and Equipment	(86,953)	(11,634)	16,309	(82,278)
Leasehold Improvements	(3,071)	(538)	0	(3,609)
Total Accumulated Depreciation	<u>(90,024)</u>	<u>(12,172)</u>	<u>16,309</u>	<u>(85,887)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 32,682</u>	<u>\$ 31,840</u>	<u>\$ (4,078)</u>	<u>\$ 60,444</u>

Depreciation expense was fully allocated to economic development.

NOTE 14 - RECEIVABLES

Receivables at June 30, 2018 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 – FUND BALANCES

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

	General	Revolving Loan	Appalachian Regional Commission	State Appalachian Development Program	Economic Development Administration	Rural Transportation	Rural Transit Pilot Program	Total
Nonspendable for:								
Prepays	\$ 64	\$ 692	\$ 4,073	\$ 3,507	\$ 2,410	\$ 3,978	\$ 1,173	\$ 15,897
Restricted for:								
Health Benefits	730	7,917	46,600	35,816	27,578	19,996	1,581	140,218
RLF Programs	0	1,844,506	0	0	0	0	0	1,844,506
ARC Programs	0	0	31,694	0	0	0	0	31,694
EDA Programs	0	0	0	0	751	0	0	751
Total Restricted	<u>730</u>	<u>1,852,423</u>	<u>78,294</u>	<u>35,816</u>	<u>28,329</u>	<u>19,996</u>	<u>1,581</u>	<u>2,017,169</u>
Unassigned	447,765	0	0	0	0	0	0	447,765
<i>Total Fund Balance</i>	<u>\$ 448,559</u>	<u>\$ 1,853,115</u>	<u>\$ 82,367</u>	<u>\$ 39,323</u>	<u>\$ 30,739</u>	<u>\$ 23,974</u>	<u>\$ 2,754</u>	<u>\$ 2,480,831</u>

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Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Required Supplementary Information
Schedule of the OMEGA's Proportionate Share of the Net Pension Liability
Last Five Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i>					
OMEGA's Proportion of the Net Pension Liability	0.0027880%	0.0027631%	0.0029460%	0.0028984%	0.0028984%
OMEGA's Proportionate Share of the Net Pension Liability	\$ 437,383	\$ 627,430	\$ 510,284	\$ 349,579	\$ 207,231
OMEGA's Covered Payroll	\$ 351,783	\$ 358,392	\$ 405,067	\$ 350,092	\$ 276,030
OMEGA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	124.33%	175.07%	125.98%	99.85%	75.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.39%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for 10 years, information prior to 2014 is not available. An additional column will be added each year.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Required Supplementary Information
Schedule of OMEGA's Contributions - Pension
Last Ten Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i>				
Contractually Required Contribution	\$ 55,427	\$ 42,214	\$ 43,007	\$ 48,608
Contributions in Relation to the Contractually Required Contribution	<u>(55,427)</u>	<u>(42,214)</u>	<u>(43,007)</u>	<u>(48,608)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
OMEGA's Covered Payroll	\$ 426,364	\$ 351,783	\$ 358,392	\$ 405,067
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 45,512	\$ 27,603	\$ 27,547	\$ 24,992	\$ 22,801	\$ 25,175
<u>(45,512)</u>	<u>(27,603)</u>	<u>(27,547)</u>	<u>(24,992)</u>	<u>(22,801)</u>	<u>(25,175)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 350,092	\$ 276,030	\$ 275,470	\$ 277,689	\$ 268,247	\$ 296,176
13.00%	10.00%	10.00%	9.00%	8.50%	8.50%

See accompanying notes to the required supplementary information.

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Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Required Supplementary Information
Schedule of OMEGA's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years (1)

<i>Ohio Public Employees Retirement System (OPERS)</i>	<u>2018</u>	<u>2017</u>
OMEGA's Proportion of the Net OPEB Liability	0.00260000%	0.00258500%
OMEGA's Proportionate Share of the Net OPEB Liability	\$ 282,341	\$ 261,094
OMEGA's Covered Payroll	\$ 351,783	\$ 358,392
OMEGA's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	80.26%	72.85%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	77.25%	54.14%

(1) Although this schedule is intended to reflect information for 10 years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Required Supplementary Information
Schedule of OMEGA's Contributions - OPEB
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Ohio Public Employees Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 4,264	\$ 7,036	\$ 7,168	\$ 8,101
Contributions in Relation to the Contractually Required Contribution	<u>(4,264)</u>	<u>(7,036)</u>	<u>(7,168)</u>	<u>(8,101)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
OMEGA's Covered Payroll	\$ 426,364	\$ 351,783	\$ 358,392	\$ 405,067
OPEB Contributions as a Percentage of Covered Payroll	1.00%	2.00%	2.00%	2.00%

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 3,501	\$ 11,041	\$ 11,019	\$ 13,884	\$ 14,754	\$ 16,290
<u>(3,501)</u>	<u>(11,041)</u>	<u>(11,019)</u>	<u>(13,884)</u>	<u>(14,754)</u>	<u>(16,290)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 350,092	\$ 276,030	\$ 275,470	\$ 277,689	\$ 268,247	\$ 296,176
1.00%	4.00%	4.00%	5.00%	5.50%	5.50%

See accompanying notes to the required supplementary information.

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

NOTE 1 - ACTUARIAL ASSUMPTIONS – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation: 3.25 percent

Projected Salary Increases, including inflation: 3.25 to 10.75 percent

Single Discount Rate: 3.85 percent

Investment Rate of Return: 6.5 percent

Municipal Bond Rate: 3.31 percent

Health Care Cost Trend Rate: 7.5 percent, initial 3.25 percent, ultimate in 2028

Actuarial Cost Method: Individual Entry Age

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

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

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

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Award Year	Federal CFDA Number	Disbursements
<u>Department of Commerce</u>				
<i>Direct:</i>				
Economic Development-Support for Planning Organizations	N/A	2017/2018	11.302	\$ 51,541
Economic Development Cluster				
Economic Adjustment Assistance:				
Revolving Loan Program	N/A	2017/2018	11.307	<u>392,170</u>
Total Economic Development Cluster				<u>392,170</u>
Total Department of Commerce				443,711
<u>Department of Transportation</u>				
<i>Passed through from Ohio Department of Transportation</i>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	PID 104876	2017/2018	20.205	<u>162,249</u>
Total Highway Planning and Construction Cluster				<u>162,249</u>
Enhanced Mobility of Seniors and Individuals with Disabilities	PID 107020	2017/2018	20.513	<u>56,861</u>
Total Department of Transportation				219,110
<u>Appalachian Regional Commission</u>				
<i>Direct:</i>				
Appalachian Research, Technical Assistance, and Demonstration Projects:				
Technical Assistance 302(A)	N/A	2017	23.009	98,649
Technical Assistance 302(A)	N/A	2018	23.009	<u>104,500</u>
Total Technical Assistance 302(A)				<u>203,149</u>
Revolving Loan Program	N/A	2017/2018	23.011	<u>781,323</u>
Total Appalachian Regional Commission				<u>984,472</u>
Total Federal Financial Assistance				<u>\$ 1,647,293</u>

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

Ohio Mid-Eastern Governments Association
Guernsey County, Ohio
Notes to the Schedule of Federal Awards Expenditures
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2018

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, 2018. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of 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 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 2018 is as follows:

Loans receivable balance as of June 30, 2018	\$280,623
Cash balance on hand in the revolving loan fund as of June 30, 2018	103,347
Administrative costs expended during fiscal year 2018	8,200
Total (federal share of 100%)	<u>\$392,170</u>

Current year activity in the ARC Revolving Loan fund during fiscal year 2018 is as follows:

Loans receivable balance as of June 30, 2017	\$761,143
New loans disbursed during 2018	0
Administrative costs expended during fiscal year 2018	20,180
Total	<u>\$781,323</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.

OHIO AUDITOR OF STATE KEITH FABER



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, 2018, and the related notes to the financial statements, which collectively comprise OMEGA's basic financial statements and have issued our report thereon dated March 19, 2019 wherein we noted OMEGA adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We also noted OMEGA restated the fund balances of its General and Special Revenue Funds as of July 1, 2017.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 19, 2019

OHIO AUDITOR OF STATE KEITH FABER



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 Governments 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 the OMEGA's major federal program for the year ended June 30, 2018. 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 programs.

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, 2018.

Report on Internal Control Over Compliance

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 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 19, 2019

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Program (list): <ul style="list-style-type: none"> • Appalachian Research, Technical Assistance and Demonstration Projects: Revolving Loan Program – CFDA No. 23.011 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)**

June 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	2017 – Material Weakness – Misclassification of revenue, receivables and expenditures	Fully Corrected	OMEGA worked closely with our compilers to correct the misclassifications

326 Highland Avenue, Suite B, Cambridge, OH 43725
740-439-4471 1-800-726-6342 FAX: 740-439-7783
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OHIO AUDITOR OF STATE KEITH FABER



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
MARCH 28, 2019**