STARK TUSCARAWAS WORKFORCE DEVELOPMENT BOARD

STARK COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2018

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

Board of Directors
Stark Tuscarawas Workforce Development Board
822 30th Street N.W.
Canton, Ohio 44709

We have reviewed the *Independent Auditor's Report* of the Stark Tuscarawas Workforce Development Board, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stark Tuscarawas Workforce Development Board is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

February 25, 2019

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Stark Tuscarawas Workforce Development Board
Stark County

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INDEPENDENT AUDITOR'S REPORT

Stark Tuscarawas Workforce Development Board
Stark County
822 30th Street N.W.
Canton, Ohio 44709

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Stark Tuscarawas Workforce Development Board, Stark County, Ohio (STWDB), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise STWDB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to STWDB's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STWDB's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as our evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Stark Tuscarawas Workforce Development Board, Stark 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 3 to the financial statements, during the year ended June 30, 2018, STWDB adopted new guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and net OPEB liability, and the schedule of employer contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise STWDB's basic financial statements. The Schedule of Expenditures of Federal Awards (the Schedule) is presented for purposes of 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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5 2018, on our consideration of STWDB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 STWDB's internal control over financial reporting and compliance.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
December 5, 2018

The discussion and analysis of Stark Tuscarawas Workforce Development Board's (STWDB) financial performance provides an overall review of STWDB's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at STWDB's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of STWDB's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended June 30, 2018 are as follows:

- Expenses decreased $562,000 with the completion of National Emergency/Rapid Response grants in the previous year and a shift of workforce system expenses from WIOA to TANF funding for the Comprehensive Case Management and Employment Program (CCMEP) funded by the Ohio Department of Job and Family Services and operated in coordination with Workforce Initiative Association.
- Revenues decreased $596,000 in conjunction with the expense decreases mentioned above.
- Total net position decreased $95,000.

USING THIS ANNUAL FINANCIAL REPORT

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

The statement of net position and statement of activities provide information about the activities of STWDB, presenting both an aggregate view of its finances and a longer-term view of those assets. The statement of activities shows the net (expense) revenue and changes to net position of STWDB. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

REPORTING ON THE ENTITY AS A WHOLE

Statement of Net Position and the Statement of Activities

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

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

REPORTING ON THE MOST SIGNIFICANT FUND

Governmental Fund

The presentation for STWDB's only fund, the general fund, focuses on how resources flow into and out of it and the balance that is left at year end and available for spending in future periods. The general fund is reported using modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of STWDB's general operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future on services provided to users. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in reconciliations in the financial statements.

STARK TUSCARAWAS WORKFORCE DEVELOPMENT BOARD AS A WHOLE

Recall that the statement of net position looks at STWDB as a whole. Table 1 provides a summary of STWDB's net position for fiscal year 2018 compared to fiscal year 2017.

Table 1 - Net Position

	6/30/2018	Restated 6/30/2017	Change
Assets			
Current and Other Assets	$ 246,233	$ 217,262	$ 28,971
Total Assets	**$ 246,233**	**$ 217,262**	**$ 28,971**
Deferred Outflows of Resources			
Pension	$ 30,760	$ 58,214	$ (27,454)
OPEB	$ 55,649	$ -	$ 55,649
Total Deferred Outflows	**$ 86,409**	**$ 58,214**	**$ 28,195**
Liabilities			
Current Liabilities	$ 125,336	$ 165,075	$ (39,739)
Accrued Leave Liability	$ 11,725	$ 11,619	$ 106
Net Pension Liability	$ 211,618	$ 158,958	$ 52,660
Net OPEB Liability	$ 143,342	$ -	$ 143,342
Total Liabilities	**$ 492,021**	**$ 335,652**	**$ 156,369**
Deferred Inflows of Resources			
Pension	$ 51,738	$ 946	$ 50,792
OPEB	$ 10,678	$ -	$ 10,678
Total Deferred Inflows	**$ 62,416**	**$ 946**	**$ 61,470**
Net Position			
Unrestricted	$ (221,795)	$ (127,013)	$ (94,782)
Total Net Position	**$ (221,795)**	**$ (127,013)**	**$ (94,782)**

The net pension liability (NPL) is the largest single liability reported by STWDB 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, STWDB 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 STWDB'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.

The 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 STWDB'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, STWDB is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

In accordance with GASB 68 and GASB 75, STWDB'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, STWDB 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 ($61,122) to ($127,013).

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

STWDB's current liabilities primarily represent accrued contract expenses payable at year end to providers of the Comprehensive Case Management and Employment Program (CCMEP). A net OPEB liability was recognized during the period in accordance with GASB 75, and this combined with the GASB 68 net pension liability made up the majority of the non-current liabilities.

Table 2 provides a summary of STWDB's change in net position for fiscal year 2018.

Table 2 - Changes in Net Position

	6/30/2018	6/30/2017	Change
Total Revenues	$ 2,864,605	$ 3,460,558	$ (595,953)
Total Expenses	$ 2,959,387	$ 3,521,680	$ (562,293)
Increase (Decrease) in Change in Net Position	**$ (94,782)**	**$ (61,122)**	**$ (33,660)**

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 $2,594 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 $33,568. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 expenses under GASB 75	$2,959,387
OPEB expense under GASB 75	(33,568)
2018 contractually required contribution	1,088
Adjusted 2018 expenses	2,926,907
Total 2017 expenses under GASB 45	3,521,680
Increase (Decrease) in expenses not related to OPEB	($594,773)

STARK TUSCARAWAS WORKFORCE DEVELOPMENT BOARD GENERAL FUND

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

As of the end of the current fiscal year, STWDB's governmental fund reported an ending fund balance of $120,897 which was a $68,710 increase over the previous year. This demonstrates that when STWDB is analyzed exclusive of the required GASB 68/75 presentations in the government-wide financial statements described above, it does have a positive fund balance. As STWDB only has one governmental fund, the analysis from a fund perspective is similar to the analysis already presented on a government-wide basis, exclusive of generally accepted accounting differences between the two sets of statements which are highlighted in the reconciliations and notes to the financial statements.

BUDGETING HIGHLIGHTS

STWDB's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year. STWDB's annual budget is not subject to formal budget commission procedures and/or legal requirements. STWDB's primary funding source is federal and state grants, which have grant periods that may or may not coincide with STWDB's fiscal year. Due to the nature of STWDB's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

STWDB's annual budget differs from that of a local government in two respects. First, the uncertain nature of grant awards from other entities and second, the conversion of grant budgets to a fiscal year basis. The resulting annual budget is subject to constant change within the fiscal year due to increases/decreases in actual grant awards from those estimated, changes in grant periods, unanticipated grant awards not included in the budget and expected grant awards which fail to materialize.

STWDB's annual budget for the general fund is reviewed by the Executive Board and used throughout each fiscal period to monitor activity and ensure sound fiscal management. Modifications are made as needed to remain within established spending limits for the year and as additional initiatives are added or as existing projects/programs change.

Actual revenues exceeded expenditures in the governmental fund for fiscal year 2018 due to the various factors already mentioned. As the fiduciary agent of taxpayer funds, STWDB diligently searches for new and more efficient methods to reduce and/or contain operating expenditures. STWDB's goal continues to be to serve the maximum number of customers within the allocations available.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Significant economic factors affecting STWDB are as follows:

- Federal Workforce Innovation and Opportunity Act funding through U.S. Dept. of Labor;
- National, state, and local unemployment rates;
- National, state and local poverty and income levels; and
- Inflationary pressure on training, services, supplies, and other program and operational costs.

STWDB's main program allocations are calculated by the Ohio Department of Job and Family Services (ODJFS) based on a formula specified in the Workforce Innovation and Opportunity Act (WIOA). This formula considers various economic factors including income levels and unemployment rates. STWDB's formula allocations for the new fiscal year beginning July 1, 2018 increased more than $380,000 when compared to the previous year.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of STWDB's finances and to show STWDB's accountability for the money it receives, spends, or invests. If you have questions about this report or need additional financial information, contact the Treasurer, Stark Tuscarawas Workforce Development Board, 822 - 30th Street NW, Canton, Ohio 44709.

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Stark Tuscarawas Workforce Development Board
STATEMENT OF NET POSITION
June 30, 2018

ASSETS		
Cash with Fiscal Agent	$	109,216
Intergovernmental Receivable		135,769
Prepaid Items		1,248
Total Assets		246,233
DEFERRED OUTFLOWS OF RESOURCES		
Pension		30,760
OPEB		55,649
Total Deferred Outflows of Resources		86,409
LIABILITIES		
Current Liabilities:		
Accounts Payable		115,118
Accrued Wages and Benefits		10,218
Total Current Liabilities:		125,336
Non-Current Liabilities:		
Accrued Compensated Absences - Due within one year		11,725
Net Pension Liability		211,618
Net OPEB Liability		143,342
Total Non-Current Liabilities:		366,985
Total Liabilities		492,021
DEFERRED INFLOWS OF RESOURCES		
Pension		51,738
OPEB		10,678
Total Deferred Inflows of Resources		62,416
NET POSITION		
Unrestricted (Deficit)		(221,795)
Total Net Position	$	(221,795)

See accompanying notes to the basic financial statements.

Stark Tuscarawas Workforce Development Board
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenue: Charges for Services and Sales	Program Revenue: Operating Grants and Contributions	Net (Expenses) Revenue and Changes In Net Position: Governmental Activities
Governmental Activities:				
Employment and Training Program Costs	$ 2,959,387	$ 390,983	$ 2,473,622	$ (94,782)
Total Governmental Activities	$ 2,959,387	$ 390,983	$ 2,473,622	(94,782)
Changes in Net Position				(94,782)
Net Position Beginning of Year - Restated				(127,013)
Net Position End of Year				$ (221,795)

See accompanying notes to the basic financial statements.

Stark Tuscarawas Workforce Development Board
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2018

ASSETS		
Cash with Fiscal Agent	$	109,216
Intergovernmental Receivable		135,769
Prepaid Items		1,248
Total Assets		246,233
LIABILITIES		
Accounts Payable		115,118
Accrued Wages and Benefits		10,218
Total Liabilities		125,336
FUND BALANCE		
Unassigned		120,897
Total Fund Balance		120,897
Total Liabilities and Fund Balance	$	246,233

See accompanying notes to the basic financial statements.

Stark Tuscarawas Workforce Development Board
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2018

Total Governmental Fund Balance	$	120,897
Amount reported for governmental activities in the statement of net position is different because:		
Long-term leave liabilities do not require current financial resources, and therefore are not reported as expenditures in the governmental funds.		(11,725)
Net pension and OPEB liabilities are not due and payable in the current period, and therefore the liabilities and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension		30,760
Deferred Outflows - OPEB		55,649
Net Pension Liability		(211,618)
Net OPEB Liability		(143,342)
Deferred Inflows - Pension		(51,738)
Deferred Inflows - OPEB		(10,678)
Net Position of Governmental Activities	$	(221,795)

See accompanying notes to the basic financial statements.

Stark Tuscarawas Workforce Development Board
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2018

REVENUES		
Intergovernmental Revenue	$	2,473,622
Charges for Services		390,983
Total Revenues		2,864,605
EXPENDITURES		
Human Services:		
Employment and Training Program		2,795,895
Total Expenditures		2,795,895
Net Change in Fund Balance		68,710
Fund Balance at Beginning of Year		52,187
Fund Balance at End of Year	$	120,897

See accompanying notes to the basic financial statements.

Stark Tuscarawas Workforce Development Board
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Fund	$	68,710
Amount reported for governmental activities in the statement of activities is different because:		
Compensated absences reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.		(105)
Contractually required contributions are reported as expenditures in the governmental funds. However, the statement of net position reports these amounts as deferred outflows:		
Pension		37,510
OPEB		1,088
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities:		
Pension		(168,417)
OPEB		(33,568)
Change in Net Position of Governmental Activities	$	(94,782)

See accompanying notes to the basic financial statements.

NOTE 1: **DESCRIPTION OF ENTITY**

Stark Tuscarawas Workforce Development Board (STWDB) was originally established in 2016 under the Ohio Revised Code as a regional council of governments and currently includes Stark and Tuscarawas counties as members. STWDB is eligible to receive and administer funds granted by the Governor of the State under the Workforce Innovation and Opportunity Act.

STWDB carries out the purpose of the Workforce Innovation and Opportunity Act by assessing workforce needs; developing strategies, plans, programs, and resources to provide employment, training and education, and related services to the citizens of the local area; and providing oversight and evaluation of such efforts. These functions and tasks are conducted within the framework of a public/private partnership. The purpose of the Workforce Innovation and Opportunity Act is to provide workforce investment activities through statewide and local workforce investment systems that increase the employment, retention, and earnings of participants and increase occupational skill attainment by participants and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the nation.

For financial reporting purposes, all departments and operations over which STWDB exercises financial accountability are included in the reporting entity. Oversight responsibility was evaluated based on consideration of financial interdependency, selection of governing authority, designation of management, the ability to significantly influence management and accountability for fiscal matters.

No governmental units other than STWDB itself are included in the reporting entity. STWDB does not have oversight responsibility over any other governmental unit. This is evidenced by the fact that, with respect to any other governmental unit, there is no financial interdependency and STWDB does not select their governing authority, designate their management, exercise significant influence over their daily operations or maintain their accounting records.

Workforce Initiative Association, Stark County (WIA) serves as fiscal agent and custodian for STWDB. WIA is responsible for receiving and disbursing funds at the direction of STWDB, but as a legally separate entity, WIA is not financially accountable for STWDB's operations.

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

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

A. **Basis of Presentation**

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

Government-wide Financial Statements
The statement of net position and the statement of activities display information about STWDB as a whole. These statements include the financial activities of the primary government. All activities of STWDB are governmental activities.

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

Fund Financial Statements
Fund financial statements report more detailed information about STWDB. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. STWDB has only one fund which is its major fund.

B. **Fund Accounting**

STWDB uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain STWDB functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The only fund of STWDB is a governmental fund.

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 is reported as fund balance. The following is STWDB's major governmental fund:

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

C. **Measurement Focus**

Government-wide Financial Statements
The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of STWDB are included on the statement of net position.

Fund Financial Statements
All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and change in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the

governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. **Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For STWDB, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which STWDB receives value without directly giving equal value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 STWDB must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to STWDB on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: federal and state grants and contracted services.

Deferred Inflows of Resources and Deferred Outflows of Resources
In addition to assets, the government-wide statement of net position reports 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 STWDB, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

In addition to liabilities, the government-wide statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For STWDB, deferred inflows of resources include pension and OPEB plans. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and are explained in Notes 6 and 7.

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. An allocation of cost, such as depreciation, is not recognized in governmental funds.

E. **Cash and Cash Equivalents**

For presentation on the financial statements, investments with original maturities of three months or less at the time they are purchased by STWDB are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year which services are consumed.

G. **Capital Assets**

Capital assets include furniture and equipment purchased by STWDB. These assets generally result from expenditures in the governmental fund. 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. STWDB did not have any capital assets at June 30, 2018.

H. **Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon 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.

I. **Compensated Absences**

Vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered and it’s probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination/retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it’s considered probable that the conditions for compensation will be met in the future.

Sick leave benefits for STWDB employees are not vested, and therefore, do not accrue as a liability.

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

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

J. **Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from the fiduciary funds are reported on the fiduciary fund statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liabilities are not recognized in the governmental funds since they are not due and payable by STWDB.

K. **Fund Balance Designation**

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

> Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.
>
> Restricted - Fund balance is reported as restricted when constraints on the use of resources are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.
>
> Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board. The Board may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
>
> Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

STWDB first applies restricted resources when an expenditure is 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 can be used.

L. **Net Position**

Net position represents the difference between assets and liabilities. 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. Net position is reported as restricted when there are limitations imposed on the use, either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

M. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

For fiscal year 2018, STWDB implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For fiscal year 2018, STWDB also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in STWDB's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

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

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows/inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	($61,122)
Adjustments:	
Net OPEB Liability	(66,662)
Deferred Outflow - Payments Subsequent to Measurement Date	771
Restated Net Position June 30, 2017	($127,013)

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

NOTE 4: **CASH AND INVESTMENTS**

Protection of STWDB'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.

State statutes classify monies held by STWDB into three categories.

Active deposits - public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits - public deposits that STWDB has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits - deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Legislation permits interim monies to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds or other obligations of the State of Ohio and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purchase of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of STWDB, and must be purchased with the expectation that it will be held until maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Chief Financial Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits
At June 30, 2018, the carrying amount of STWDB's deposits with its fiscal agent was $109,216 and the bank balance was $125,120.

Custodial credit risk for deposits is the risk that in the event of a bank failure, STWDB will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, $62,560 of STWDB's total bank balance of $125,120 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. STWDB's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of fifty percent resulting in the uninsured and uncollateralized balance.

STWDB has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to STWDB and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> 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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments
STWDB did not have any investments at June 30, 2018.

NOTE 5: **INTERGOVERNMENTAL RECEIVABLE**

A part of the year-end process with the Ohio Department of Job and Family Services (ODJFS) is to perform a reconciliation to identify for each grant how much funds were over or under advanced during the fiscal year. The net balance for the year ended June 30, 2018 was a balance due from ODJFS of $135,769.

NOTE 6: **DEFINED BENEFIT PENSION PLANS**

The statewide retirement system provides both pension benefits and other postemployment benefits (OPEB).

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 STWDB's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, 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 these estimates annually.

The Ohio Revised Code limits STWDB's obligation for this liability to annually required payments. STWDB cannot control benefit terms or the manner in which pensions are financed; however, it 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 the employer, because (1) they benefit from employee services; and (2) State statute requires 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). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system'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. Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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 *accrued wages* *and benefits* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 7 for the required OPEB disclosures.

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

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	**Group C** Members not in 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.

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

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

Funding Policy

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

	State and Local
FY 2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
FY 2018 Actual Contribution Rates	
Employer (July 1, 2017 - December 31, 2017):	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employer (Effective January 1, 2018):	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. STWDB's contractually required contribution was $24,605 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 for OPERS 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. STWDB's proportion of the net pension liability was based on STWDB's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense as of June 30, 2018:

	Traditional
Proportionate Share of the Net Pension Liability	$211,618
Proportion of the Net Pension Liability, Current Year	0.001407%
Proportion of the Net Pension Liability, Prior Year	0.000700%
Change in Proportion	0.000707%
Pension Expense	$47,390

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

	Traditional
Deferred Outflows of Resources	
Differences between expected and actual experience	$443
Changes of assumptions	51,844
Net difference between projected and actual earnings on pension plan investments	23,909
Changes in proportion and differences between STWDB contributions and proportionate share of contributions	(58,705)
STWDB contributions subsequent to the measurement date	13,269
Total Deferred Outflows of Resources	$30,760
Deferred Inflows of Resources	
Differences between expected and actual experience	$5,306
Net difference between projected and actual earnings on pension plan investments	47,388
Changes in proportion and differences between STWDB contributions and proportionate share of contributions	(956)
Total Deferred Inflows of Resources	$51,738

$13,269 reported as deferred outflows of resources related to pension resulting from STWDB 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 inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional
Fiscal Year Ending June 30:	
2019	$4,566
2020	20,867
2021	19,472
2022	0
Thereafter	0
Total	$44,905

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all 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 as follows.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
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 December 31, 2015.

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

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

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. In October 2018, the OPERS Board voted to lower the investment return assumption for its defined benefit fund from 7.5 percent to 7.2 percent. This assumption change will impact OPERS' annual actuarial valuation prepared as of December 31, 2018.

Sensitivity of STWDB's Proportionate Share of Net Pension Liability to Changes in Discount Rate

The following table presents STWDB's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what STWDB'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:

Sensitivity of Net Pension Liability/(Asset) to Changes in the Discount Rate

Employers' Net Pension Liability/(Asset)	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Traditional Pension Plan	$382,849	$211,618	$68,863

NOTE 7: **DEFINED BENEFIT OPEB PLANS**

Plan Description – Ohio Public Employees Retirement System (OPERS)

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.

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 and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018, decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. STWDB's contractually required contribution was $1,893 for fiscal year 2018. The full amount has been contributed for fiscal year 2018.

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

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

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.00132000%
Prior Measurement Date	0.00066000%
Change in Proportionate Share	0.00066000%
Proportionate Share of the Net OPEB Liability	$143,342
OPEB Expense	$33,568

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

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$112
Changes of assumptions	10,437
Changes in proportion and differences between STWDB contributions and proportionate share of contributions	45,100
Total Deferred Outflows of Resources	$55,649
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$10,678

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Fiscal Year Ending June 30:	
2019	$23,935
2020	23,935
2021	(231)
2022	(2,668)
Total	$44,971

Actuarial Assumptions – OPERS

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

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	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
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 December 31, 2015.

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

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

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

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

Discount Rate

A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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. In October 2018, the OPERS Board voted to lower the investment return assumption for its health care investment portfolio from 6.5 percent to 6 percent. This assumption change will impact OPERS' annual actuarial valuation prepared as of December 31, 2018.

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

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
STWDB's proportionate share of the net OPEB liability	$190,436	$143,342	$105,244

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

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
STWDB's proportionate share of the net OPEB liability	$137,148	$143,342	$149,741

NOTE 8: **COMPENSATED ABSENCES**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums, depending on tenure with STWDB. Vacation days may not be carried over into the next calendar year. Upon termination, employees are entitled to be paid all accrued vacation. The following schedule details earned annual leave based on length of service.

0-4 years	10 days
5-9 years	15 days
10-14 years	20 days
15-23 years	25 days
24 years and over	30 days

Sick leave accrues to STWDB's full-time employees and may be cumulative without limit. However, sick leave is not vested, and therefore, not payable upon termination and not a liability at year end.

STWDB's liability for unpaid, compensated absences was $11,725 as of June 30, 2018.

NOTE 9: **LONG-TERM OBLIGATIONS**

A summary of the governmental activities' long-term obligations as of June 30, 2018 are as follows:

	Restated Balance 6/30/17	Additions	Deductions	Balance 6/30/18	Due within One Year
Compensated Absences	$ 11,619	$ 105	$ 0	$ 11,725	$ 11,725
Net Pension Liability	158,958	52,660	0	211,618	0
Net OPEB Liability	66,662	76,680	0	143,342	0
Total	$ 237,239	$ 129,445	$ 0	$ 366,685	$ 11,725

STWDB pays obligations related to compensated absences from the general fund. See Notes 6 and 7 for additional information related to the net pension liability and the net OPEB liability.

NOTE 10: **CONTINGENT LIABILITIES**

There are no pending material lawsuits in which STWDB is involved.

Periodic audits are required under federal and state grants and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. STWDB's management believes disallowances, if any, will be immaterial.

There are no expenditures recommended for disallowance. Costs recommended for disallowance are those involving expenditures for which existing documentary evidence leads the auditor to conclude that the expenditures were in violation of legislative or regulatory requirements. These costs are disallowed by the Grantor unless the grantee is able to convince the Grantor that they were made in accordance with legal or regulatory requirements.

There are no expenditures listed as questionable. Questionable costs are those involving the lack of or inadequacy of documentary support. Findings containing questionable costs do not necessarily mean that the costs were used for improper purposes, but that there was insufficient documentary evidence to allow a determination of their eligibility.

NOTE 11: **INSURANCE AND RISK MANAGEMENT**

STWDB is exposed to various risks of loss related to torts, thefts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

During 2018, STWDB contracted with insurance companies for the various types of insurance below:

INSURANCE	TYPE OF COVERAGE	COVERAGE
Travelers	Officer and Director Liability	$2,000,000
Travelers	Employment Practices Liability	$2,000,000

Settled claims resulting from the above noted risks, if any, have not exceeded commercial insurance coverage in this year. Insurance coverage was not applicable in the prior year as STWDB did not begin operations until the current fiscal year.

STWDB pays the State Workers' Compensation system a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

STWDB carries commercial insurance for other risks of loss, including employee health and life insurance.

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Stark Tuscarawas Workforce Development Board
Required Supplementary Information
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Ohio Public Employees Retirement System
Last Two Fiscal Years (1)

Traditional Pension Plan	**2018**	**2017**
STWDB's Proportion of the Net Pension Liability	0.001407%	0.000700%
STWDB's Proportionate Share of the Net Pension Liability	$211,618	$158,958
STWDB's Covered-Employee Payroll	$189,270	$175,250
STWDB's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	111.81%	90.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%

(1) STWDB was created in fiscal year 2017 therefore information prior to this date is not applicable. Schedule is intended to show ten years of information. Additional years will be displayed as information becomes available.

Amounts presented as of STWDB's fiscal year end, June 30th of each year. The plan measurement date is the prior calendar year end, December 31st of each year.

See accompanying notes to the required supplementary information.

Stark Tuscarawas Workforce Development Board
Required Supplementary Information
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Ohio Public Employees Retirement System
Last Two Fiscal Years (1)

	2018	2017
STWDB's Proportion of the Net OPEB Liability	0.001320%	0.000660%
STWDB's Proportionate Share of the Net OPEB Liability	$143,342	$66,662
STWDB's Covered-Employee Payroll	$189,270	$175,250
STWDB's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	75.73%	38.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

(1) STWDB was created in fiscal year 2017 therefore information prior to this date is not applicable. Schedule is intended to show ten years of information. Additional years will be displayed as information becomes available.

Amounts presented as of STWDB's fiscal year end, June 30th of each year. The plan measurement date is the prior calendar year end, December 31st of each year.

See accompanying notes to the required supplementary information.

Stark Tuscarawas Workforce Development Board
Required Supplementary Information
SCHEDULE OF CONTRIBUTIONS
Ohio Public Employees Retirement System
Last Two Fiscal Years [1]

Net Pension Liability	**2018**	**2017**
Contractually Required Contribution	$24,605	$21,030
Contributions in Relation to the Contractually Required Contribution	24,605	21,030
Contribution Deficiency (Excess)	$0	$0
STWDB's Covered-Employee Payroll	$189,270	$175,250
Pension Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%

Net OPEB Liability	**2018**	**2017**
Contractually Required Contribution	$1,893	$3,505
Contributions in Relation to the Contractually Required Contribution	1,893	3,505
Contribution Deficiency (Excess)	$0	$0
OPEB Contributions as a Percentage of Covered-Employee Payroll	1.00%	2.00%
Total Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%

[1] STWDB was created in fiscal year 2017 therefore information prior to this date is not applicable. Schedule is intended to show ten years of information. Additional years will be displayed as information becomes available.

Amounts presented as of STWDB’s fiscal year end, June 30th of each year. The plan measurement date is the prior calendar year end, December 31st of each year.

See accompanying notes to the required supplementary information.

NOTE A: **CHANGES IN ASSUMPTIONS - OPERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used prior to fiscal year 2017 are presented below:

	Measurement Date	
	December 31, 2016 and Subsequent	December 31, 2015 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in fiscal year 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for fiscal year 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Stark Tuscarawas Workforce Development Board

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2018

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Labor				
Pass-Through Program From:				
Ohio Department of Job and Family Services				
Workforce Innovation and Opportunity Act (Cluster)				
WIOA Adult Program	17.258	(A)	$ 804,603	$ 868,100
WIOA Adult Program-Administration	17.258	(A)	37,331	57,349
Total WIOA Adult Program			841,934	925,449
WIOA Youth Activities	17.259	(A)	617,176	706,101
WIOA Youth Activities-Administration	17.259	(A)	59,425	91,289
Total WIOA Youth Activities			676,601	797,390
WIOA Dislocated Worker Formula Grants	17.278	(A)	599,866	656,781
WIOA Dislocated Worker Formula Grants-Administration	17.278	(A)	43,785	67,262
Rapid Response	17.278	(A)	20,000	20,000
Total WIOA Dislocated Worker Formula Grants			663,651	744,043
Total Workforce Innovation and Opportunity Act (Cluster)			2,182,186	2,466,882
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	(A)	5,819	6,740
Total Pass-Through From Ohio Department of Job and Family Services			**2,188,005**	**2,473,622**
Total U.S. Department of Labor			**2,188,005**	**2,473,622**
U.S. Department of Health and Human Services				
Pass-Through Program From:				
Ohio Department of Job and Family Services				
Temporary Assistance to Needy Families (Cluster)				
Ohio Works Incentive Program	93.558	(A)	0	318,000
Total Temporary Assistance to Needy Families (Cluster)			0	318,000
Total U.S. Department of Health and Human Services			**0**	**318,000**
Total Expenditures of Federal Awards			**$ 2,188,005**	**$ 2,791,622**

(A) Pass-Through Entity Number is not known or applicable.

See accompanying notes to the schedule of expenditures of federal awards.

STARK TUSCARAWAS WORKFORCE DEVELOPMENT BOARD
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Stark Tuscarawas Workforce Development Board (STWDB) 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 STWDB, it is not intended to and does not present the financial position or changes in net position of STWDB.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C: **INDIRECT COST RATE**

STWDB has elected not to use the 10-percent de minimis indirect cost rate as allowed under CFR Section 200.414 of the Uniform Guidance.

NOTE D: **SUBRECIPIENTS**

STWDB passes certain federal awards received from the U.S. Department of Labor and the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, STWDB reports expenditures of Federal awards to subrecipients on an accrual basis.

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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Stark Tuscarawas Workforce Development Board
Stark County
822 30th Street N.W.
Canton, Ohio 44709

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Stark Tuscarawas Workforce Development Board, Stark County, Ohio (STWDB) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise STWDB's basic financial statements and have issued our report thereon dated December 5, 2018. We noted STWDB adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered STWDB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of STWDB's internal control. Accordingly, we do not express an opinion on the effectiveness of STWDB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of STWDB's financial statements will not be prevented or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether STWDB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of STWDB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering STWDB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
December 5, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Stark Tuscarawas Workforce Development Board
Stark County
822 30th Street N.W.
Canton, Ohio 44709

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited the Stark Tuscarawas Workforce Development Board, Stark County, Ohio's (STWDB) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on STWDB's major federal program for the year ended June 30, 2018. STWDB's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance 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 express an opinion on compliance for STWDB's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about STWDB's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Stark Tuscarawas Workforce Development Board, Stark County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of STWDB is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered STWDB's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of STWDB'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, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
December 5, 2018

Stark Tuscarawas Workforce Development Board
Stark 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 Programs (list):**	Workforce Investment Act (WIA) Cluster CFDA #17.258 WIA Adult Program CFDA #17.259 WIA Youth Activities CFDA #17.278 WIA Dislocated Workers
(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 FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE
KEITH FABER

STARK TUSCARAWAS WORKFORCE DEVELOPMENT BOARD COUNCIL OF GOVERNMENTS

STARK 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 7, 2019