ECONOMIC DEVELOPMENT AND FINANCE ALLIANCE
TUSCARAWAS COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2018-2017

OHIO AUDITOR OF STATE
KEITH FABER

ECONOMIC DEVELOPMENT AND FINANCE ALLIANCE
TUSCARAWAS COUNTY
DECEMBER 31, 2018 AND 2017

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TUSCARAWAS COUNTY
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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Economic Development and Finance Alliance
Tuscarawas County
339 Oxford Street
Dover, Ohio 44622

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Economic Development and Finance Alliance, Tuscarawas County, Ohio (the Alliance), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Alliance's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Economic Development and Finance Alliance, Tuscarawas County, Ohio, as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the 2018 financial statements, during 2018, the Alliance adopted new accounting 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 this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension and Other Post-Employment Benefit Liabilities and Pension and Other Post-Employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the Economic Development and Finance Alliance, Tuscarawas County, Ohio (the Alliance), as of and for the year ended December 31, 2016, were audited by a predecessor auditor whose report dated August 31, 2017, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of the Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alliance's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

November 26, 2019

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The management's discussion and analysis (MD&A) of the Economic Development and Finance Alliance ("the Alliance") financial performance provides an overall review of the Alliance's financial activities for the years ended December 31, 2018 and 2017. The intent of this discussion and analysis is to look at the Alliance's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Alliance's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- Total operating revenues were $2,163,826 and $1,644,816 for 2018 and 2017 respectively.
- Total operating expenses were $1,603,432 for 2018 and $1,735,190 for 2017.
- Net position increased $465,728 in 2018, which represents a 15 percent increase from 2017. In 2017 net position decreased $171,120, which represents a 5 percent decrease from 2016.
- Outstanding debt decreased from $2,141,600 in 2017 to $1,975,616 in 2018 through principal payments.
- In 2018 the Alliance implemented GASB 75, which reduced beginning net position reported by $365,245.

Using this Financial Report

This annual report consists of three parts, the MD&A, the basic financial statements, and notes to the basic financial statements. The basic financial statements include a comparative statement of fund net position, comparative statement of revenues, expenses and changes in fund net position and statement of cash flows. Since the Alliance only uses one fund for its operations, the entity-wide and the fund presentation information is the same.

Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position

The comparative statement of fund net position answers the question, "How did we do financially during 2018 and 2017?" This statement includes all assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. The basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This change in net position is important because it tells the reader whether, for the Alliance as a whole, the financial position of the Alliance has improved or diminished. However, in evaluating the overall position of the Alliance, non-financial information such as changes in the condition of the Alliance's capital assets will also need to be evaluated.

This section contains a condensed comparison of assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses and explanations for significant differences.

In the comparative statement of fund net position and the comparative statement of revenues, expenses and changes in fund net position, the Alliance is divided into two kinds of activities:

- ***Business-Type Activities*** – These services are provided on a charge for goods or services basis to recover all or most of the cost of services provided.

- ***Component Unit*** – The Alliance's financial statements include financial data of the Business Park Incubator. This component unit is described in the notes to the financial statements. The component unit is separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

Table 1 provides a summary of the Alliance's net position for 2018, 2017 and 2016.

Table 1
Net Position

	2018	Restated 2017	2016
Assets			
Current Assets	$ 781,976	$ 266,601	$ 273,337
Non-Current and Capital Assets	5,815,919	5,934,512	6,103,881
Total Assets	6,597,895	6,201,113	6,377,218
Deferred Outflow of Resources			
Pension	117,675	287,251	182,471
OPEB	28,557	3,821	0
Total Deferred Outflows of Resources	146,232	291,072	182,471
Liabilities			
Current Liabilities	453,391	435,103	379,203
Long-Term Liabilities:			
Net Pension Liability	453,604	677,727	459,360
Net OPEB Liability	388,063	369,066	0
Loans Payable - net of current portion	1,822,393	1,983,591	2,141,032
Total Liabilities	3,117,451	3,465,487	2,979,595
Deferred Inflows of Resources			
Pension	118,110	18,264	35,295
OPEB	34,404	0	0
Total Deferred Inflows of Resources	152,514	18,264	35,295
Net Position:			
Net Investment in Capital Assets	3,781,251	3,619,996	3,623,649
Unrestricted	(307,089)	(611,562)	(78,850)
Total Net Position	$ 3,474,162	$ 3,008,434	$ 3,544,799

The net pension liability (NPL) is reported by the Alliance at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For 2018, the Alliance 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 the Alliance'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.

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 OBEP 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 the Alliance's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Alliance 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 comparative statement of fund net position.

In accordance with GASB 68 and GASB 75, the Alliance'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, the Alliance 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 December 31, 2017, from $3,373,679 to $3,008,434.

At year end, capital assets represented 87 and 94 percent of total assets at December 31, 2018 and 2017, respectively. Capital assets include land, buildings and improvements, land improvements, office equipment and vehicles. Capital assets, net of related debt were $3,781,251 and $3,619,996 at the end of 2018 and 2017, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the Alliance's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The balance of unrestricted net position is a deficit balance of $307,089 and $611,562 for December 31, 2018 and 2017, respectively, may be used to meet the government's ongoing obligations to citizens and creditors. This deficit is due to GASB 68 and 75.

The following fluctuations occurred between 2018 and 2017:

Current assets increased primarily due to increased cash balances, which were the result of charges for services and permit fees revenues increasing and operating expenses decreasing from 2017 to 2018. Total liabilities decreased due to repayment of debt and a decrease in the GASB 68 net pension liability. The decrease in deferred outflows of resources and the increase in deferred inflows of resources were directly related to changes in GASB 68 and 75 amounts reported by OPERS.

The following fluctuations occurred between 2017 and 2016:

Capital assets decreased due to annual depreciation exceeding additional purchases. Total liabilities increased by $485,892 due to an increase in net pension liability and the implementation of GASB 75 which resulted in a restated net OPEB liability.

Table 2 shows the changes in net position for the years ended December 31, 2018, 2017 and 2016.

Table 2
Changes in Net Position

	2018	2017	2016
Operating Revenues			
Charges for Services	$ 761,300	$ 536,177	$ 499,654
Rentals	645,054	658,422	634,961
Permit Fees	756,010	450,065	580,548
Other	1,462	152	8,902
Total Operating Revenues	2,163,826	1,644,816	1,724,065
Operating Expenses			
Salaries and Benefits	753,457	802,984	781,443
Contractual Services	337,693	351,617	351,610
Materials and Supplies	10,428	20,147	26,424
Insurance and Bonding	42,155	47,193	56,452
Travel	20,246	24,045	21,661
Utilities	143,699	195,287	136,101
Depreciation	213,531	216,343	222,936
Other	76,390	77,574	113,167
Bad Debt	5,833	0	0
Total Operating Expenses	1,603,432	1,735,190	1,709,794
Operating Income (Loss)	560,394	(90,374)	14,271
Non-Operating Revenues (Expenses)			
Interest	5,283	3,029	18
Loss on Sale of Capital Assets	0	0	(431,070)
Interest and Fiscal Charges	(106,237)	(86,804)	(66,482)
Other Income	6,288	3,029	1,377
Total Non-Operating Revenues (Expenses)	(94,666)	(80,746)	(496,157)
Change in Net Position	465,728	(171,120)	(481,886)
Net Position Beginning of Year	3,008,434	3,544,799	4,026,685
Restatement - See note 1	0	(365,245)	0
Net Position End of Year	$ 3,474,162	$ 3,008,434	$ 3,544,799

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $3,821 computed under GASB 45. GASB 45 required recognizing OPEB 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 $28,665. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Business-Type Activities
Total 2018 Expenses under GASB 75	$ 1,603,432
OPEB Expense under GASB 75	(28,665)
Adjusted 2018 Expenses	1,574,767
Total 2017 Expenses under GASB 45	1,735,190
Increase/(Decrease) in Expenses not Related to OPEB	$ (160,423)

Permit fees decreased from 2016 to 2017 due to decreases in applications for building plan approvals and then increased in 2018 due additional applications.

In 2016 the Alliance received a credit on utilities from the City of Dover, Ohio. This is the main reason for the increase in utilities from 2016 to 2017.

Capital Assets

Table 3 shows 2018 balances compared with 2017 and 2016.

Table 3
Capital Assets at December 31
(Net of Depreciation)

	2018	2017	2016
Land	$ 792,609	$ 792,609	$ 792,609
Buildings and Improvements	4,945,609	5,014,159	5,123,963
Land Improvements	0	0	1,637
Vehicles	13,501	30,301	55,120
Office Equipment	5,148	6,817	4,608
Totals	$ 5,756,867	$ 5,843,886	$ 5,977,937

Note 3 provides capital asset activity during 2018 and 2017.

Debt

Table 4 summarizes outstanding debt.

Table 4
Debt at December 31

	2018	2017	2016
Loans Payable	$ 1,975,616	$ 2,141,600	$ 2,296,788

Additional information concerning the Alliance's debt can be found in Notes 8 and 10 to the basic financial statements.

Current Issues

Reeves Mill Business Park

Deflecto USA has locations in both Indianapolis, Indiana and Dover, Ohio the Company designs, manufactures and markets plastic extruded, fabricated, vacuum form, sonic welded and injection molded products such as office organization, air distribution products, truck /auto reflectors and lenses, as well as aluminum duct for dryer venting. Rob Rafter, Dover Plant Manager reports that the Dover location is the largest manufacturer in the world of extruded chairmats for the office products and furniture industries. In 2015 Deflecto leased an additional 16,140 square feet to accommodate a Truck Mud Flap manufacturing operation. In 2019, the company relocated a small manufacturing / assembly operation and its product distribution center from Indianapolis into about 80,000 square feet. The Company's sales and production continue to grow in now about 265,000 square feet or more than 6 acres of space. Deflecto now employs nearly 200 associates at the Dover location.

Extreme Trailers is now in their fourth year at the Reeves Mill Business Park after taking over the space previously occupied by Tremcar USA. Extreme manufactures flatbed trailers that are the lightest available in the market. This advantage has been important to the company's growth. And they are now positioning to take over an additional 37,000 square feet of space as they continue to grow.

Other companies and organizations which call the Reeves Mill Business Park home are: McKeever Decorating, The City of Dover Law Director, and The East Central Ohio Building Authority.

And the Park continues to grow. The Alliance is actively planning a 15 acre expansion on the East side of the park to support a resurgence of manufacturing businesses in the valley. That 15 acres is in a designated Opportunity Zone.

Reeves Mill Logistics Warehouse / 1075 Warehouse

The Reeves Mill Logistics Warehouse, a public warehouse, operated by the Alliance is now called the 1075 Warehouse and is located in a 60,000 square foot building the Alliance acquired in New Philadelphia. The Alliance Board again in December 2018 considered their alternatives and elected to continue to operate and develop the 1075 Warehouse operation. The demand for Public Warehousing continues to grow in the Tuscarawas County region. The proof is that the 1075 Warehouse is at full capacity and there is still an ongoing demand for additional space. At this point the Alliance has no plans to expand the warehouse operation beyond the current 60,000 square feet.

Tuscarawas County Economic Development Corporation

The Alliance is now being managed by the Tuscarawas County Economic Development Corporation (TCEDC), a 501c3 created in October 2019. The TCEDC also manages the Tuscarawas County Improvement Corporation.

Contacting the Economic Development and Finance Alliance's Financial Management

This financial report is intended to provide our citizens, investors and creditors with a general overview of the Alliance's finances and to demonstrate the Alliance's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the Executive Director at the Economic Development and Finance Alliance, 339 Oxford Street Dover, Ohio 44622.

Economic Development and Finance Alliance
Tuscarawas County, Ohio
Comparative Statement of Fund Net Position
Proprietary Fund
December 31, 2018 and 2017

	2018		Restated 2017	
	Primary Government	Component Unit	Primary Government	Component Unit
	Business-Type Activities	Business Park Incubator	Business-Type Activities	Business Park Incubator
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 478,867	$ 52,280	$ 47,693	$ 34,855
Loans Receivable	74,780	0	72,212	0
Accounts Receivable	216,663	4,550	146,594	18,000
Prepaid Items	11,666	0	102	0
Total Current Assets	781,976	56,830	266,601	52,855
Non-Current Assets:				
Loans Receivable - Net of Current Portion	54,052	0	90,626	0
Deposits	5,000	0	0	0
Non-Depreciable Capital Assets	792,609	0	792,609	0
Depreciable Capital Assets, Net	4,964,258	0	5,051,277	0
Total Non-Current Assets	5,815,919	0	5,934,512	0
Total Assets	6,597,895	56,830	6,201,113	52,855
Deferred Outflow of Resources				
Pension	117,675	0	287,251	0
OPEB	28,557	0	3,821	0
Total Deferred Outflows of Resources	146,232	0	291,072	0
Liabilities				
Current Liabilities:				
Accounts Payable	51,668	3,500	49,637	9,385
Accrued Wages	11,935	0	8,271	0
Intergovernmental Payable	24,554	0	21,990	0
Unearned Revenue	212,011	0	65,806	0
Accrued Interest Payable	0	0	2,415	0
Loans Payable	153,223	0	158,009	0
Notes Payable	0	0	128,975	0
Total Current Liabilities	453,391	3,500	435,103	9,385
Long-Term Liabilities:				
Loans Payable - Net of Current Portion	1,822,393	0	1,983,591	0
Net Pension Liability	453,604	0	677,727	0
Net OPEB Liability	388,063	0	369,066	0
Total Long-Term Liabilities	2,664,060	0	3,030,384	0
Total Liabilities	3,117,451	3,500	3,465,487	9,385
Deferred Inflows of Resources				
Pension	118,110	0	18,264	0
OPEB	34,404	0	0	0
Total Deferred Inflows of Resources	152,514	0	18,264	0
Net Position				
Net Investment in Capital Assets	3,781,251	0	3,619,996	0
Unrestricted	(307,089)	53,330	(611,562)	43,470
Total Net Position	$ 3,474,162	$ 53,330	$ 3,008,434	$ 43,470

See accompanying notes to the basic financial statements.

Economic Development and Finance Alliance
Tuscarawas County, Ohio
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Years Ended December 31, 2018 and 2017

	2018		2017	
	Primary Government	Component Unit	Primary Government	Component Unit
	Business-Type Activities	Business Park Incubator	Business-Type Activities	Business Park Incubator
Operating Revenues				
Charges for Services	$ 761,300	$ 0	$ 536,177	$ 0
Rentals	645,054	35,650	658,422	34,350
Permit Fees	756,010	0	450,065	0
Contributions	0	46,800	0	46,800
Other	1,462	0	152	0
Total Operating Revenues	2,163,826	82,450	1,644,816	81,150
Operating Expenses				
Salaries and Benefits	753,457	0	802,984	0
Contractual Services	337,693	0	351,617	39
Materials and Supplies	10,428	0	20,147	60
Insurance and Bonding	42,155	0	47,193	0
Facility Rent	0	60,590	0	60,150
Rent Subsidy	0	12,000	0	7,500
Travel	20,246	0	24,045	0
Utilities	143,699	0	195,287	0
Depreciation	213,531	0	216,343	0
Other	76,390	0	77,574	0
Bad Debt	5,833	0	0	0
Total Operating Expenses	1,603,432	72,590	1,735,190	67,749
Operating Income (Loss)	560,394	9,860	(90,374)	13,401
Non-Operating Revenues (Expenses)				
Interest	5,283	0	3,029	0
Interest and Fiscal Charges	(106,237)	0	(86,804)	0
Other Income	6,288	0	3,029	0
Total Non-Operating Revenues (Expenses)	(94,666)	0	(80,746)	0
Change in Net Position	465,728	9,860	(171,120)	13,401
Net Position Beginning of Year	3,008,434	43,470	3,544,799	30,069
Restatement - See Note 1	0	0	(365,245)	0
Net Position End of Year	$ 3,474,162	$ 53,330	$ 3,008,434	$ 43,470

See accompanying notes to the basic financial statements.

Economic Development and Finance Alliance
Tuscarawas County, Ohio
Comparative Statement of Cash Flows - Proprietary Fund
For the Years Ended December 31, 2018 and 2017

	2018		2017	
	Primary Government	Component Unit	Primary Government	Component Unit
	Business-Type Activities	Business Park Incubator	Business-Type Activities	Business Park Incubator
Cash flows from Operating Activities:				
Cash Received from Customers	$ 2,234,129	$ 75,435	$ 1,703,709	$ 58,950
Cash Payments to Suppliers for Goods and Services	(10,814)	(710)	(21,860)	(39)
Cash Payments for Employees Services and Benefits	(689,829)	0	(702,552)	(60)
Cash Payments for Contractual Services	(532,092)	(46,800)	(665,872)	(46,800)
Other Cash Payments	(85,674)	(10,500)	(87,501)	(5,500)
Net Cash Provided by Operating Activities	915,720	17,425	225,924	6,551
Cash Flows from Noncapital Financing Activities:				
Payment made on Loans Receivable	34,006	0	16,562	0
Proceeds from Notes	0	0	149,918	0
Other Income	6,288	0	3,029	0
Principal Paid on Notes	(46,683)	0	(103,233)	0
Net Cash Provided by Noncapital Financing Activities	(6,389)	0	66,276	0
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Notes Payable	121,000	0	82,290	0
Acquisition of Capital Assets	(126,512)	0	(82,292)	0
Principal Paid on Notes	(203,292)	0	(57,500)	0
Principal Payments on Loans	(165,984)	0	(155,188)	0
Interest Paid on All Debt	(108,652)	0	(89,651)	0
Net Cash (Used for) Capital and Related Financing Activities	(483,440)	0	(302,341)	0
Cash Flows from Investing Activities:				
Receipts of Interest	5,283	0	3,029	0
Net Increase (Decrease) in Cash and Cash Equivalents	431,174	17,425	(7,112)	6,551
Cash and Cash Equivalents Beginning of Year	47,693	34,855	54,805	28,304
Cash and Cash Equivalents End of Year	$ 478,867	$ 52,280	$ 47,693	$ 34,855
Reconciliation of Operating Income (Loss) To Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	$ 560,394	$ 9,860	$ (90,374)	$ 13,401
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	213,531	0	216,343	0
(Increase) Decrease in Assets and Deferred Outflows:				
Deferred Outflows - Pension	169,576	0	(104,780)	0
Deferred Outflows - OPEB	(24,736)	0	0	0
Deposits	(5,000)	0	0	0
Accounts Receivable	(70,069)	13,450	18,147	(15,525)
Prepaids	(11,564)	0	233	0
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	2,031	(5,885)	(59,369)	8,675
Deferred Inflows - Pension	99,846	0	(17,031)	0
Deferred Inflows - OPEB	34,404	0	0	0
Net Pension Liability	(224,123)	0	218,367	0
Net OPEB Liability	18,997	0	0	0
Accrued Wages	3,664	0	(2,058)	0
Unearned Revenue	146,205	0	40,746	0
Intergovernmental Payable	2,564	0	5,700	0
Net Cash Provided by Operating Activities	$ 915,720	$ 17,425	$ 225,924	$ 6,551

See accompanying notes to the basic financial statements.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Economic Development and Finance Alliance (the Alliance) is presented to assist in understanding the Alliance's financial statements. The financial statements and notes are representations of the Alliance's management and board who are responsible for their integrity and objectivity. These policies have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

The Economic Development and Finance Alliance, Tuscarawas County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.02 of the Ohio Revised Code. The Alliance was created December 31, 2000. The Alliance is governed by a five-member Board of Directors. Members of the Board are appointed by the Tuscarawas County Commissioners. The purpose of the Alliance is to be involved in the activities that enhance foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Tuscarawas County.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Alliance consists of its general operating fund.

Component units are legally separate organizations for which the Alliance is financially accountable. The Alliance is financially accountable for an organization if the Alliance appoints a voting majority of the organization's governing board and (1) the Alliance is able to significantly influence the programs or services performed or provided by the organizations; (2) the Alliance is legally entitled to or can otherwise access the organization's resources; (3) the Alliance is legally obligated or has otherwise assumed the responsibility to finance the deficits, or provide financial support to, the organization; or (4) the Alliance is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Alliance in that the Alliance approves the budget, the issuance of debt or the levying of taxes.

Discretely Presented Component Unit – The component unit column in the entity-wide financial statements identifies the financial data of the Alliance's component unit, Business Park Incubator. It is reported separately to emphasize that it is legally separate from the Alliance.

Business Park Incubator – The Business Park Incubator, Inc. (the "Business Park") is a legally separate entity and was incorporated as a not-for-profit under the laws of the State of Ohio on August 7, 2003. Operations of the Business Park commenced March 1, 2005. The Business Park was organized for the purpose to develop and promote a business incubator in order to aid development of scalable, light manufacturing, assembly, service, or other businesses within Tuscarawas County and the surrounding areas and communities. The Business Park's board members are appointed by the Economic Development and Finance Alliance's board of directors. Since the Business Park imposes a financial burden on the Economic Development and Finance Alliance, the Business Park is reflected as a component unit of the Alliance. Financial statements can be obtained from Stephen Schillig, Treasurer, Business Park Incubator, 315 East Broadway, Dover, Ohio 44622.

The Alliance's management believes these financial statements present all activities for which the Alliance is financially accountable.

B. Basis of Accounting

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

The Alliance's financial statements consist of comparative statements of fund net position, comparative statements of revenue, expenses and changes in fund net position, and statements of cash flows.

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

Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Deferred Inflows/Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Alliance, deferred outflows of resources are reported on the comparative statement of fund net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 4 and 5.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Alliance, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB plans are reported on the comparative statement of fund net position. (See Notes 4 and 5).

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Alliance are included on the comparative statement of fund net position. The comparative statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Alliance finances and meets the cash flow needs of its enterprise activity.

D. Fund Accounting

The Alliance maintains an enterprise fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Alliance. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

E. Pooled Cash and Cash Equivalents

To improve cash management, all cash received by the Alliance is pooled. All money is maintained in this pool. The Alliance's interest in the pool is presented as "equity in pooled cash and cash equivalents."

For purposes of the statement of cash flows, the Alliance considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Alliance had no investments at year end.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018 and 2017, 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 expense in the year in which the services are consumed.

G. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported on the financial statements. In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources. Net pension/OPEB liability should be recognized to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. Long-term loans are recognized as a liability on the financial statements when due.

H. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

I. Budgetary Process

Ohio Rev. Code Section 4582.13 requires that each fund be budgeted annually. This budget includes estimated receipts and appropriations.

1. Appropriations

The Board annually approves appropriations and subsequent amendments. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed amounts appropriated for each office, department and division, and within each, the amount appropriated for personal services. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Alliance reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and are not reappropriated.

J. Capital Assets

Capital assets utilized by the Alliance are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their acquisition value as of the date received. The Alliance maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land and Construction in Progress	N/A
Buildings and Improvements	5-39 Years
Land Improvements	5 Years
Vehicles	5 Years
Office Equipment	5-7 Years

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Alliance did not have any restricted net position for 2018 and 2017.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Alliance. All revenue and expenses not meeting these definitions are classified as nonoperating.

M. Estimates

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

N. Financing Fee Income

Fees associated with economic development loan programs and conduit debt transactions are recognized in operating income as they are received. Such fees will only be paid while the related debt is outstanding, therefore, they are subject to the risk that the debt will be repaid in advance of scheduled maturity.

O. Lease Accounting

The Alliance classifies leases at the inception of each lease in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, except for leases that are not recognized for accounting purposes under Interpretation No. 2 of the GASB, Disclosure of Conduit Debt Obligations, because they secure the repayment of conduit debt.

P. 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.

Q. Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended December 31, 2018, the Alliance has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments.*

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

Net Position, December 31, 2017	$	3,373,679
Adjustments:		
Net OPEB Liability		(369,066)
Deferred Outflow-Payments		
Subsequent to Measurement Date		3,821
Restated Net Position, December 31, 2017	$	3,008,434

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

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

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

NOTE 2: CASH AND CASH EQUIVALENTS

State statues classify monies held by the Alliance into three categories.

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

Inactive deposits are public deposits that the Alliance has identified as not required for use within the current five 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 are deposits of interim monies. Interim monies are those 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.

Protection of the Alliance'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.

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 and any other obligations of the State of Ohio;

5. 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;

6. The State Treasurer's investment pool (STAR Ohio).

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively from the purchase date in any amount not to exceed 40 percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in the highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose 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 the Alliance, and must be purchased with the expectation that it will be held to 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 Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits **-** At year-end, $150,343 of the Alliance's bank balance of $505,872 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the Alliance's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Alliance to a successful claim by the FDIC.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital Assets Not Being Depreciated:				
Land	$ 792,609	$ 0	$ 0	$ 792,609
Capital Assets, Being Depreciated:				
Buildings and Improvements	6,856,819	78,671	0	6,935,490
Land Improvements	16,365	0	0	16,365
Vehicles	129,715	0	0	129,715
Office Equipment	41,736	3,621	0	45,357
Total Capital Assets, Being Depreciated	7,044,635	82,292	0	7,126,927
Less Accumulated Depreciation:				
Buildings and Improvements	(1,732,856)	(188,475)	0	(1,921,331)
Land Improvements	(14,728)	(1,637)	0	(16,365)
Vehicles	(74,595)	(24,819)	0	(99,414)
Office Equipment	(37,128)	(1,412)	0	(38,540)
Total Accumulated Depreciation	(1,859,307)	(216,343)	0	(2,075,650)
Total Capital Assets Being Depreciated, Net	5,185,328	(134,051)	0	5,051,277
Total Business-Type Activities Capital Assets, Net	$ 5,977,937	$ (134,051)	$ 0	$ 5,843,886

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Capital Assets Not Being Depreciated:				
Land	$ 792,609	$ 0	$ 0	$ 792,609
Capital Assets, Being Depreciated:				
Buildings and Improvements	6,935,490	126,512	0	7,062,002
Land Improvements	16,365	0	0	16,365
Vehicles	129,715	0	0	129,715
Office Equipment	45,357	0	0	45,357
Total Capital Assets, Being Depreciated	7,126,927	126,512	0	7,253,439
Less Accumulated Depreciation:				
Buildings and Improvements	(1,921,331)	(195,062)	0	(2,116,393)
Land Improvements	(16,365)	0	0	(16,365)
Vehicles	(99,414)	(16,800)	0	(116,214)
Office Equipment	(38,540)	(1,669)	0	(40,209)
Total Accumulated Depreciation	(2,075,650)	(213,531)	0	(2,289,181)
Total Capital Assets Being Depreciated, Net	5,051,277	(87,019)	0	4,964,258
Total Business-Type Activities Capital Assets, Net	$ 5,843,886	$ (87,019)	$ 0	$ 5,756,867

NOTE 4: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Alliance participates 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. Alliance 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	**Group B**	**Group C**
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**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	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	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 who retired prior to January 7, 2013, the COLA will continue to be a three 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 (CPI), capped at three percent.

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

	State and Local	
	2018	**2017**
Statutory Maximum Contribution Rates		
Employer	14.00 %	14.00 %
Employee	10.00 %	10.00 %
Actual Contribution Rates		
Employer:		
Pension	14.00 %	13.00 %
Post-Employment Health Care Benefits	0.00 %	1.00 %
Total Employer	14.00 %	14.00 %
Employee	10.00 %	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Alliance's contractually required contribution was $48,305 and $49,673 for 2018 and 2017, respectively. Of this amount, $10,618 and $1,006 was reported as an intergovernmental payable for 2018 and 2017, respectively.

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 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Alliance's proportion of the net pension liability was based on the Alliance's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	
	2018	2017
Proportion of the Net Pension Liability:		
Current Measurement Period	0.00289140%	0.00298449%
Prior Measurement Period	0.00298449%	0.00265200%
Change in Proportion	-0.00009309%	0.00033249%
Proportionate Share of the Net Pension Liability	$ 453,604	$ 677,727
Pension Expense	$ 93,604	$ 146,229

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2018 and 2017, the Alliance reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan 2018	OPERS Traditional Plan 2017
Deferred Outflows of Resources		
Net Difference between Projected and Actual Earnings on Pension Plan Investments	$ 0	$ 100,927
Differences between Expected and Actual Experience	463	919
Changes of Assumptions	54,209	107,495
Changes in Proportionate Share	14,698	28,237
Alliance Contributions Subsequent to the Measurement Date	48,305	49,673
Total Deferred Outflows of Resources	$ 117,675	$ 287,251
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	$ 8,938	$ 4,034
Net Difference between Projected and Actual Earnings on Pension Plan Investments	97,384	0
Changes in Proportionate Share	11,788	14,230
Total Deferred Inflows of Resources	$ 118,110	$ 18,264

$48,305 reported as deferred outflows of resources related to pension resulting from Alliance contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 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:

Year Ending December 31:	OPERS
2019	$ 47,144
2020	(12,985)
2021	(42,883)
2022	(40,016)
	$ (48,740)

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 and 2016, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017 and 2016 are presented below.

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

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

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

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

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

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets within 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 %

The table below displays the Board-approved asset allocation policy for 2016 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 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Alliance's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Alliance's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the Alliance's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)		Current Discount Rate (7.50%)		1% Increase (8.50%)	
Alliance's Proportionate Share of the Net Pension Liability:						
Calender Year 2018	$	805,486	$	453,604	$	160,241
Alliance's Proportionate Share of the Net Pension Liability:						
Calender Year 2017	$	1,035,379	$	677,727	$	379,687

NOTE 5: DEFINED BENEFIT OPEB

Net OPEB Liability

The net OPEB liability reported on the comparative statement of fund net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions--between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Alliance's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net 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.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains 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. When funding is approved by OPERS Board of Trustees, 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 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 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 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Alliance’s contractually required contribution was $-0- for 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/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. The Alliance's proportion of the net OPEB liability was based on the Alliance'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 Period	0.00357356%
Prior Measurement Period	0.00365400%
Change in Proportion	-0.00008044%
Proportionate Share of the Net OPEB Liability	$ 388,063
OPEB Expense	$ 28,665

At December 31, 2018, the Alliance 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	$ 302
Changes of Assumptions	28,255
Total Deferred Outflows of Resources	$ 28,557
Deferred Inflows of Resources	
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 28,908
Changes in Proportionate Share	5,496
Total Deferred Inflows of Resources	$ 34,404

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

Year Ending December 31:	OPERS
2019	$ 3,799
2020	3,799
2021	(6,218)
2022	(7,227)
	$ (5,847)

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:	
Current Measurement Date	3.85 percent
Prior Measurement Date	4.23 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 table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Alliance's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Alliance's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Alliance'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%)
Alliance's Proportionate Share of the Net OPEB Liability	$ 515,558	$ 388,063	$ 284,920

Sensitivity of the Alliance's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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

	1% Decrease	Current Trend Rate	1% Increase
Alliance's Proportionate Share of the Net OPEB Liability	$ 371,293	$ 388,063	$ 405,385

NOTE 6: RISK MANAGEMENT

The Alliance is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

The Alliance has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The Alliance also provided health insurance and vision coverage to full-time employees through the Tuscarawas County Healthcare Consortium.

NOTE 7: NOTE PAYABLE

The Alliance had a revolving line of credit up to $150,000 with first National Bank of Dennison. The line of credit was utilized for capital asset acquisition as well as to pay for the operating expenses of the Alliance.

Notes Payable activity for the year ended December 31, 2017 was as follows:

	Outstanding 1/1/2017	Additions	Reductions	Outstanding 12/31/2017
Frist National Bank of Dennison	$ 57,500	$ 232,208	$ (160,733)	$ 128,975

Notes Payable activity for the year ended December 31, 2018 was as follows:

	Outstanding 1/1/2018	Additions	Reductions	Outstanding 12/31/2018
Frist National Bank of Dennison	$ 128,975	$ 121,000	$ (249,975)	$ 0

NOTE 8: RECEIVABLES

Receivables at December 31, 2018 and 2017 consisted of accounts (billings for user charged rents) and loans receivable. All receivables are deemed collectible in full.

In 2016 the Alliance entered into a loan agreement with Extreme Trailers, LLC for $179,400. The monies were used to purchase equipment in the AK Steel building. The monthly payments were deferred until January 1, 2017. In 2017 Extreme Trailers, LLC made up the six payments from 2016. Monthly installments are to begin January 1, 2017 in the amount of $3,263.60 with an interest rate of 3.5 percent. Extreme Trailers, LLC are expected to catch up and make all payments by December 31, 2019. Final payment will be due May 1, 2021.

Loans receivable activity for the year ended December 31, 2017 was as follows:

	Outstanding 1/1/2017	Additions	Reductions	Outstanding 12/31/2017	Amount to be Received In One Year
Extreme Trailers - 3.50%	$ 179,400	$ 0	$ (16,562)	$ 162,838	$ 72,212

Loans receivable activity for the year ended December 31, 2018 was as follows:

	Outstanding 1/1/2018	Additions	Reductions	Outstanding 12/31/2018	Amount to be Received In One Year
Extreme Trailers, LLC - 3.5%	$ 162,838	$ 0	$ (34,006)	$ 128,832	$ 74,780

The annual requirements to retire the receivable are as follows:

	Loans Receivable	
Year	Principal	Interest
2019	74,780	6,810
2020	37,875	1,288
2021	16,177	142
Totals	$ 128,832	$ 8,240

NOTE 9: LONG-TERM OBLIGATIONS

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

	Outstanding 1/1/2017	Additions	Reductions	Outstanding 12/31/2017	Amounts Due In One Year
General long-term obligations:					
Loans Payable - First National Bank of Dennison	$ 925,188	$ 0	$ (53,588)	$ 871,600	$ 56,409
Loans Payable - First National Bank of Dennison	1,371,600	0	(101,600)	1,270,000	101,600
Total Loans Payable	2,296,788	0	(155,188)	2,141,600	158,009
Net Pension Liability:					
OPERS	459,360	218,367	0	677,727	0
Total Loans Payable and Net Pension Liability	$ 2,756,148	$ 218,367	$ (155,188)	$ 2,819,327	$ 158,009

Changes in long-term obligations of the Alliance during the year ended December 31, 2018 consisted of the following:

	Restated Outstanding 1/1/2018	Additions	Reductions	Outstanding 12/31/2018	Amounts Due In One Year
General long-term obligations:					
Loans Payable - First National Bank of Dennison	$ 871,600	$ 0	$ (55,917)	$ 815,683	$ 51,623
Loans Payable - First National Bank of Dennison	1,270,000	0	(110,067)	1,159,933	101,600
Total Loans Payable	2,141,600	0	(165,984)	1,975,616	153,223
Net Pension/OPEB Liability:					
Pension	677,727	0	(224,123)	453,604	0
OPEB	369,066	18,997	0	388,063	0
Total Net Pension/OPEB Liability	1,046,793	18,997	(224,123)	841,667	0
Total Loans Payable and Net Pension/OPEB Liability	$ 3,188,393	$ 18,997	$ (390,107)	$ 2,817,283	$ 153,223

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund. For additional information related to the net pension liability and net OPEB liability see Notes 4 and 5.

On May 22, 2015 the Alliance entered into two loans with First Federal National Bank of Dennison. The first was for $1,524,000 the other was for $1,016,000. The proceeds were used to repay J. P. Morgan Chase Bank. These loans bear variable interest rates that may change periodically. Both loans will mature on June 1, 2030. Monthly payments will be made on the $1,524,000 in the amount of $8,467 plus interest. Monthly payments on the $1,016,000 were $7,609, in the first half of 2018 and $8,181 in the second half of 2018. These payments include interest.

The annual requirements to retire debt are as follows:

	Loans Payable	
Year	Principal	Interest
2019	153,223	80,404
2020	156,339	74,198
2021	159,643	67,804
2022	163,146	61,210
2023	166,861	54,405
2024-2028	898,367	161,608
2029-2030	278,037	9,300
Totals	$ 1,975,616	$ 508,929

NOTE 10: OPERATING LEASES – LESSOR DISCLOSURE

The Alliance leases building space under leases that are considered non-cancelable by either party. A summary of the cost and carrying value of each asset and the amount of lease payments that came due during the period (including outstanding amounts) is summarized below. As of December 31, 2018 and 2017, the Alliance had no outstanding lease payments; therefore, no accounts receivable, attributed to this lease, are reported within the basic financial statements.

2018

Leased Asset	Asset Cost	Accumulated Depreciation	Carrying Value
Reeves Mills Business Park	$ 5,258,955	$ 1,608,958	$ 3,649,997

2017

Leased Asset	Asset Cost	Accumulated Depreciation	Carrying Value
Reeves Mills Business Park	$ 5,160,100	$ 1,465,686	$ 3,694,414

The following is a schedule of future long-term lease payments required under the operating leases as of December 31, 2018:

		Operating Lease
Year Ending December 31,	2019	$ 665,532
	2020	681,915
	2021	603,054
	2022	517,592
	2023	517,592
	2024	435,681
Total Lease Payments		$3,421,366

NOTE 11: CONCENTRATION OF CREDIT RISK

The Alliance maintains its activities within the Tuscarawas County, Ohio geographical area. The performance of its operational activities will be dependent on the performance of its tenants. The results of these companies and the operations of the Alliance projects may be dependent on the economical conditions of the local trade area.

NOTE 12: BUSINESS PARK INCUBATOR – COMPONENT UNIT

A. Description of Business Park Incubator

The Business Park Incubator, Inc. (the "Business Park") was incorporated as a not-for-profit under the laws of the State of Ohio on August 7, 2003. Operations of the Business Park commenced March 1, 2004. The Business Park was organized for the purpose to develop and promote a business incubator in order to aid development of scalable, light manufacturing, assembly, service, or other businesses within Tuscarawas County and the surrounding areas and communities. On March 22, 2006 the Business Park received an exemption from Federal income tax under IRC Section 501(c)(3), effective August 7, 2003.

Since the business park imposes a financial burden on the Alliance, the Business Park is reflected as a component unit of Economic Development and Finance Alliance. The Business Park has a December 31 year end.

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

B. Summary of Significant Accounting Policies

The Business Park reports its operations as a single enterprise fund. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

1. Measurement Focus and Basis of Accounting

The Business Park's fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. Net position (i.e., equity) is segregated into invested in capital assets, net of related debt, and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made. The Business Park uses the accrual basis of accounting in which revenue is recognized when earned and expenses when incurred.

2. Cash

To improve cash management, cash received by the Business Park is pooled in a central bank account. All money is maintained in this pool. The Business Park interest in the pool is presented as "equity in pooled cash and cash equivalents." The Business Park has no investments. Investment procedures are restricted by the provisions of the Ohio Revised Code.

3. Capital Assets

Capital assets at the Business Park are capitalized. All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

Donated capital assets are recorded at their acquisition value as of the date donated.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund capital assets.

Depreciation is computed using the straight-line basis over the following estimated useful lives:

Description	Estimated Lives
Improvements Other than Buildings	10 Years
Furniture and Equipment	5 -10 Years

4. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activity. For the Business Park, these revenues are primarily contributions. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Business Park. All revenue and expenses not meeting these definitions are classified as non-operating.

5. Estimates

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

C. Deposits and Investments

The Business Park follows the same statutory requirements for deposits and investments as the primary government (See Note 2).

D. Risk Management

The Business Park is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.
The Business Park has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

E. Capital Assets

The Business Park's capital assets were fully depreciated of December 31, 2018 and 2017. A summary of the Business Park's capital assets as of December 31 follows:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Depreciated Captial Assets:				
Improvements Other than Buildings	$ 28,768	$ 0	$ 0	$ 28,768
Less: Accumulated Depreciation:				
Improvements Other than Buildings	(28,768)	0	0	(28,768)
Total Capital Assets Being Depreciated, Net	$ 0	$ 0	$ 0	$ 0

F. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Business Park did not have any restricted not position for 2018 and 2017.

G. Subsequent Events

During 2019, all tenants left the Business Park Incubator, eliminating the rental revenue source of the Incubator.

NOTE 13: RELATED PARTIES

A. Business Park Incubator

During 2018, the Alliance provided the Business Park the use of approximately 20,000 square feet of property free of charge. This usage was valued at $46,800 and reported as Contributions Operating Revenue and Rent Subsidy Expenses by the Business Park. The rate used was the past rental rate per square foot of the space utilized by the Business Park.

B. Administrative Assistant

During 2018, the Alliance utilized the services of Lorraine Eadon, as the direct result of a recommendation by her husband, the Alliance's Executive Director, Harry Eadon. The total amount paid for such services for the year totaled $28,088.

NOTE 14: SUBSEQUENT EVENTS

On October 31, 2019, the Tuscarawas County Economic Development Corporation (TCEDC), a 501(c)3 non-profit organization, was formed to maximize the development and utilization of the human and economic resources of Tuscarawas County in order to create or preserve jobs and development opportunities and to improve the welfare of the people of the County. The TCEDC will provide Management services to the Alliance. The Alliance paid $80,000 in January of 2019 toward the total 2019 management fees of $320,000.

In 2019, the Alliance purchased a new warehouse in New Philadelphia. On April 24, 2019 the Alliance voted to accept a $1,296,000, 20-year amortization, variable rate loan and a $150,000, 5-year, variable rate loan from 1st National Bank of Dennison to finance the purchase.

In 2019, the Alliance incurred capital expenses of approximately $225,000 for the office building roof replacement, office renovation, office mold abatement and to repair windows and roof at the Reeves Mill Warehouse.

During 2019, the Alliance entered into a State Infrastructure Bank Loan with ProVia for $1,089,000.

Economic Development & Finance Alliance
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the Alliance's Proportionate Share of the Net Pension Liability
Last Five Years (1)

	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)					
Alliance's Proportion of the Net Pension Liability	0.0028914%	0.0029845%	0.0026520%	0.0029840%	0.0029840%
Alliance's Proportionate Share of the Net Pension Liability	$ 453,604	$ 677,727	$ 459,360	$ 359,904	$ 351,775
Alliance's Covered Payroll	$ 382,100	$ 395,400	$ 345,192	$ 365,825	$ 309,900
Alliance's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	171.40%	133.07%	98.38%	113.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

See accompanying notes to the required supplementary information.

Economic Development & Finance Alliance
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the Alliance's Contributions - Pension
Last Six Years

	2018	2017	2016	2015	2014	2013
Ohio Public Employees' Retirement System (OPERS)						
Contractually Required Contribution	$ 48,305	$ 49,673	$ 47,448	$ 41,423	$ 43,889	$ 40,287
Contributions in Relation to the Contractually Required Contribution	(48,305)	(49,673)	(47,448)	(41,423)	(43,889)	(40,287)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Alliance's Covered Payroll	$ 345,036	$ 382,100	$ 395,400	$ 345,192	$ 365,825	$ 309,900
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(n/a) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

Economic Development & Finance Alliance
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the Alliance's Proportionate Share of the Net OPEB Liability
Last Two Years (1)

	2018	2017
Ohio Public Employees' Retirement System (OPERS)		
Alliance's Proportion of the Net OPEB Liability	0.0035736%	0.0036540%
Alliance's Proportionate Share of the Net OPEB Liability	$ 388,063	$ 369,066
Alliance's Covered Payroll	$ 506,179	$ 514,520
Alliance's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.67%	71.73%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

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

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

See accompanying notes to the required supplementary information.

Economic Development & Finance Alliance
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the Alliance's Contributions - OPEB
Last Three Years

	2018	2017	2016
Ohio Public Employees' Retirement System (OPERS)			
Contractually Required Contribution	$ 0	$ 3,821	$ 7,908
Contributions in Relation to the Contractually Required Contribution	0	(3,821)	(7,908)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0
Alliance's Covered Payroll (1)	$ 489,693	$ 506,179	$ 514,520
Contributions as a Percentage of Covered Payroll	0.00%	0.75%	1.54%

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

Amounts reported in calendar year 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

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The management's discussion and analysis (MD&A) of the Economic Development and Finance Alliance ("the Alliance") financial performance provides an overall review of the Alliance's financial activities for the years ended December 31, 2017 and 2016. The intent of this discussion and analysis is to look at the Alliance's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Alliance's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Total operating revenues were $1,644,816 and $1,724,065 for 2017 and 2016 respectively, a 5 percent decrease from 2016 to 2017.

- Total operating expenses were $1,735,190 and $1,709,794 for 2017 and 2016 respectively, a 1 percent increase from 2016 to 2017.

- Net position decreased $171,120 and $481,886 in 2017 and 2016, respectively.

- Outstanding debt decreased from $2,296,788 in 2016 to $2,141,600 in 2017 through principal payments.

Using this Financial Report

This annual report consists of three parts, the MD&A, the basic financial statements, and notes to the basic financial statements. The basic financial statements include a comparative statement of fund net position, comparative statement of revenues, expenses and changes in fund net position and statements of cash flows. Since the Alliance only uses one fund for its operations, the entity-wide and the fund presentation information is the same.

Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position

The comparative statement of fund net position answers the question, "How did we do financially during 2017 and 2016?" This statement includes all assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. The basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This change in net position is important because it tells the reader whether, for the Alliance as a whole, the financial position of the Alliance has improved or diminished. However, in evaluating the overall position of the Alliance, non-financial information such as changes in the condition of the Alliance's capital assets will also need to be evaluated.

This section contains a condensed comparison of assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses and explanations for significant differences.

In the comparative statement of fund net position and the comparative statement of revenues, expenses and changes in fund net position, the Alliance is divided into two kinds of activities:

- ***Business-Type Activities*** – These services are provided on a charge for goods or services basis to recover all or most of the cost of services provided.

- ***Component Unit*** – The Alliance's financial statements include financial data of the Business Park Incubator. This component unit is described in the notes to the financial statements. The component unit is separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

Table 1 provides a summary of the Alliance's net position for 2017, 2016 and 2015.

Table 1
Net Position

	2017	2016	2015
Assets			
Current Assets	$ 266,601	$ 273,337	$ 305,644
Net Pension Asset	0	0	12,218
Non-Current and Capital Assets	5,934,512	6,103,881	6,651,210
Total Assets	6,201,113	6,377,218	6,969,072
Deferred Outflow of Resources			
Pension	287,251	182,471	74,791
Liabilities			
Current Liabilities	435,103	379,203	334,991
Long-Term Liabilities:			
Net Pension Liability	677,727	459,360	359,904
Loans Payable - net of current portion	1,983,591	2,141,032	2,312,232
Total Liabilities	3,096,421	2,979,595	3,007,127
Deferred Inflows of Resources			
Pension	18,264	35,295	10,051
Net Position:			
Net Investment in Capital Assets	3,619,996	3,623,649	4,044,121
Unrestricted	(246,317)	(78,850)	(17,436)
Total Net Position	$ 3,373,679	$ 3,544,799	$ 4,026,685

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

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

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

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

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

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

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

At year end, capital assets represented 94 percent of total assets at December 31, 2017 and 2016. Capital assets include land, buildings and improvements, land improvements, office equipment and vehicles. Capital assets, net of related debt were $3,619,996 and $3,623,649 at the end of 2017 and 2016, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the Alliance's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.
Table 2 shows the changes in net position for the years ended December 31, 2017, 2016 and 2015. Total net position decreased by $171,120 in 2017.

Table 2
Changes in Net Position

	2017	2016	2015
Operating Revenues			
Charges for Services	$ 536,177	$ 499,654	$ 436,069
Rentals	658,422	634,961	659,509
Permit Fees	450,065	580,548	578,709
Other	152	8,902	188
Total Operating Revenues	1,644,816	1,724,065	1,674,475
Operating Expenses			
Salaries and Benefits	802,984	781,443	651,912
Contractual Services	351,617	351,610	265,437
Materials and Supplies	20,147	26,424	30,430
Insurance and Bonding	47,193	56,452	41,675
Travel	24,045	21,661	24,936
Utilities	195,287	136,101	148,516
Depreciation	216,343	222,936	219,578
Other	77,574	113,167	120,945
Total Operating Expenses	1,735,190	1,709,794	1,503,429
Operating Income (Loss)	(90,374)	14,271	171,046
Non-Operating Revenues (Expenses)			
Interest	3,029	18	6,577
Loss on Sale of Capital Assets	0	(431,070)	(8,753)
Interest and Fiscal Charges	(86,804)	(66,482)	(115,244)
Other Income	3,029	1,377	34,780
Total Non-Operating Revenues (Expenses)	(80,746)	(496,157)	(82,640)
Change in Net Position	(171,120)	(481,886)	88,406
Net Position Beginning of Year	3,544,799	4,026,685	3,938,279
Net Position End of Year	$ 3,373,679	$ 3,544,799	$ 4,026,685

Permit fees decreased by $130,483 from 2016 to 2017 due to decreases in applications for building plan approvals. Charges for services increased by $63,585 from 2015 to 2016 due to additional public warehouse storage.

In 2016 the Alliance received a credit on utilities from the City of Dover, Ohio. This is the main reason for the increase in utilities from 2016 to 2017. Operating expenses increased in 2016 by $206,365 due to higher insurance costs, increases in salaries and contractual services.

Non-operating revenues and expenses increased by $415,411. This increase is mainly due the sale of the South Gate office building for a large loss in 2016.

Capital Assets

At the end of year 2017, the Alliance had $5,843,886 invested in land, buildings and improvements, land improvements, vehicles and office equipment. Table 3 shows 2017 balances compared with 2016 and 2015.

Table 3
Capital Assets at December 31
(Net of Depreciation)

	2017	2016	2015
Land	$ 792,609	$ 792,609	$ 792,609
Buildings and Improvements	5,014,159	5,123,963	5,624,070
Land Improvements	0	1,637	4,910
Vehicles	30,301	55,120	80,611
Office Equipment	6,817	4,608	6,560
Totals	$ 5,843,886	$ 5,977,937	$ 6,508,760

The $134,051 and $530,823 decrease in capital assets in 2017 and 2016 was attributable to depreciation exceeding additional purchases in the current year.

Debt

The outstanding debt for the Alliance as of December 31, 2017 was $2,141,600. This is a decrease of $155,188 from the December 31, 2016 balance of $2,296,788. Table 4 summarizes outstanding debt.

Table 4
Debt at December 31

	2017	2016	2015
Loans Payable	$ 2,141,600	$ 2,296,788	$ 2,464,639

Additional information concerning the Alliance's debt can be found in Notes 6 and 8 to the basic financial statements.

Current Issues

Reeves Mill Business Park

Deflecto USA has locations in both Indianapolis, Indiana and Dover, Ohio. The company designs, manufactures and markets plastic extruded, fabricated, vacuum form, sonic welded and injection molded products such as office organization, air distribution products, truck /auto reflectors and lenses, as well as aluminum duct for dryer venting. Rob Rafter, Dover Plant Manager, reports that the Dover location is the largest manufacturer in the world of extruded chairmats for the office products and furniture industries. In 2005, the Company, then known as Rolite Plastics, relocated its 20,000 square foot operation and 36 associates from Midvale, Ohio into 65,000 square feet of the Reeves Mill Business Park. But the Company isn't done growing to accommodate their business, having expanded five more times to a total of about 215,000 square feet or nearly 5 acres of space. Deflecto now employs nearly 200 associates at the Dover location.

Extreme Trailers is now in their third year at the Reeves Mill Business Park after taking over the space previously occupied by Tremcar USA. Extreme manufactures flatbed trailers that are the lightest available in the market. This advantage has been important to the company's growth.

Other companies and organizations which call the Reeves Mill Business Park home are: McKeever Decorating, Strimbu Trucking, The Business Factory (small business incubator), The City of Dover Law Director, The East Central Ohio Building Authority, The Reeves Mill Logistics Warehouse, and the Alliance.

And the Park continues to grow. The Alliance is actively planning a 15 acre expansion on the East side of the park to support a resurgence of manufacturing businesses in the valley.

Reeves Mill Logistics Warehouse

The Reeves Mill Logistics Warehouse, a public warehouse operated by the Alliance, provides flexibility in the utilization of the available space, while still satisfying our customers' (all local businesses) needs. The Alliance Board again in December 2012 considered their alternatives and elected to continue to operate and develop the Reeves Mill Logistics Warehouse. The demand for Public Warehousing continues to grow in the Tuscarawas County region. To that end the Alliance has expanded its public warehousing by leasing space in a building on Bowers Avenue in New Philadelphia.

Culinary, Cultural Arts, and All Weather Farm Market

The Alliance applied for and was granted a $500,000 State Capital Budget appropriation to build a Culinary, Cultural Arts, and All Weather Farm Market. The contract was negotiated with the Ohio Facilities Construction Commission (OFCC) and the designated recipient is the Tuscarawas County Center for the Arts (TCCA). Therefore, the Grant Agreement is between the OFCC and the TCCA. Currently the Alliance and the Tuscarawas County Center for the Arts (TCCA) is working to partner on the expansion of the TCCA building in New Philadelphia. The interior renovations and outdoor exhibit space will dramatically enhance the TCCA's ability to meet their Mission and Purpose which is:

The Tuscarawas County Center for the Arts was organized in 2002 for the purpose of providing educational and cultural opportunities that would encourage participation in and appreciation of the arts for the benefit and enrichment of residents in *Tuscarawas* and surrounding counties. It has served as a focal point to promote, offer, and operate local arts and cultural programs for people of all ages.

Contacting the Economic Development and Finance Alliance's Financial Management

This financial report is intended to provide our citizens, investors and creditors with a general overview of the Alliance's finances and to demonstrate the Alliance's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the Executive Director at the Economic Development and Finance Alliance, 339 Oxford Street Dover, Ohio 44622.

Economic Development and Finance Alliance
Tuscarawas County, Ohio
Comparative Statement of Fund Net Position
Proprietary Fund
December 31, 2017 and 2016

	2017		2016	
	Primary Government	Component Unit	Primary Government	Component Unit
	Business-Type Activities	Business Park Incubator	Business-Type Activities	Business Park Incubator
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 47,693	$ 34,855	$ 54,805	$ 28,304
Loans Receivable	72,212	0	53,456	0
Accounts Receivable	146,594	18,000	164,741	2,475
Prepaid Items	102	0	335	0
Total Current Assets	266,601	52,855	273,337	30,779
Non-Current Assets:				
Loans Receivable - Net of Current Portion	90,626	0	125,944	0
Non-Depreciable Capital Assets	792,609	0	792,609	0
Depreciable Capital Assets, Net	5,051,277	0	5,185,328	0
Total Non-Current Assets	5,934,512	0	6,103,881	0
Total Assets	6,201,113	52,855	6,377,218	30,779
Deferred Outflow of Resources				
Pension	287,251	0	182,471	0
Liabilities				
Current Liabilities:				
Accounts Payable	49,637	9,385	109,006	710
Accrued Wages	8,271	0	10,329	0
Intergovernmental Payable	21,990	0	16,290	0
Unearned Revenue	65,806	0	25,060	0
Accrued Interest Payable	2,415	0	5,262	0
Loans Payable	158,009	0	155,756	0
Notes Payable	128,975	0	57,500	0
Total Current Liabilities	435,103	9,385	379,203	710
Long-Term Liabilities:				
Loans Payable - Net of Current Portion	1,983,591	0	2,141,032	0
Net Pension Liability (See Note 4)	677,727	0	459,360	0
Total Long-Term Liabilities	2,661,318	0	2,600,392	0
Total Liabilities	3,096,421	9,385	2,979,595	710
Deferred Inflows of Resources				
Pension	18,264	0	35,295	0
Net Position				
Net Investment in Capital Assets	3,619,996	0	3,623,649	0
Unrestricted	(246,317)	43,470	(78,850)	30,069
Total Net Position	$ 3,373,679	$ 43,470	$ 3,544,799	$ 30,069

See accompanying notes to the basic financial statements.

Economic Development and Finance Alliance
Tuscarawas County, Ohio
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Years Ended December 31, 2017 and 2016

	2017		2016	
	Primary Government	Component Unit	Primary Government	Component Unit
	Business-Type Activities	Business Park Incubator	Business-Type Activities	Business Park Incubator
Operating Revenues				
Charges for Services	$ 536,177	$ 0	$ 499,654	$ 0
Rentals	658,422	34,350	634,961	15,600
Permit Fees	450,065	0	580,548	0
Contributions	0	46,800	0	46,800
Other	152	0	8,902	0
Total Operating Revenues	1,644,816	81,150	1,724,065	62,400
Operating Expenses				
Salaries and Benefits	802,984	0	781,443	0
Contractual Services	351,617	39	351,610	4,312
Materials and Supplies	20,147	60	26,424	0
Insurance and Bonding	47,193	0	56,452	0
Facility Rent	0	60,150	0	46,800
Rent Subsidy	0	7,500	0	0
Travel	24,045	0	21,661	0
Utilities	195,287	0	136,101	0
Depreciation	216,343	0	222,936	0
Other	77,574	0	113,167	0
Total Operating Expenses	1,735,190	67,749	1,709,794	51,112
Operating Income (Loss)	(90,374)	13,401	14,271	11,288
Non-Operating Revenues (Expenses)				
Interest	3,029	0	18	0
Loss on Sale of Capital Assets	0	0	(431,070)	0
Interest and Fiscal Charges	(86,804)	0	(66,482)	0
Other Income	3,029	0	1,377	0
Total Non-Operating Revenues (Expenses)	(80,746)	0	(496,157)	0
Change in Net Position	(171,120)	13,401	(481,886)	11,288
Net Position Beginning of Year	3,544,799	30,069	4,026,685	18,781
Net Position End of Year	$ 3,373,679	$ 43,470	$ 3,544,799	$ 30,069

See accompanying notes to the basic financial statements.

Economic Development and Finance Alliance
Tuscarawas County, Ohio
Comparative Statement of Cash Flows - Proprietary Fund
For the Years Ended December 31, 2017 and 2016

	2017		2016	
	Primary Government Business-Type Activities	Component Unit Business Park Incubator	Primary Government Business-Type Activities	Component Unit Business Park Incubator
Cash flows from Operating Activities:				
Cash Received from Customers	$ 1,703,709	$ 58,950	$ 1,679,374	$ 61,288
Cash Payments to Suppliers for Goods and Services	(21,860)	(39)	(24,836)	0
Cash Payments for Employees Services and Benefits	(702,552)	(60)	(761,097)	0
Cash Payments for Contractual Services	(665,872)	(46,800)	(545,573)	(51,137)
Other Cash Payments	(87,501)	(5,500)	(94,131)	0
Net Cash Provided by Operating Activities	225,924	6,551	253,737	10,151
Cash Flows from Noncapital Financing Activities:				
Loans made to Another Entity	0	0	(179,400)	0
Payment made on Loans Receivable	16,562	0	142,450	0
Proceeds from Notes	149,918	0		0
Other Income	3,029	0	1,377	0
Principal Paid on Notes	(103,233)	0	0	0
Net Cash Provided by (Used for) Noncapital Financing Activities	66,276	0	(35,573)	0
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Notes Payable	82,290	0	57,500	0
Acquisition of Capital Assets	(82,292)	0	(123,183)	0
Principal Paid on Notes	(57,500)	0	0	0
Principal Payments on Loans	(155,188)	0	(167,851)	0
Interest Paid on All Debt	(89,651)	0	(66,656)	0
Net Cash (Used for) Capital and Related Financing Activities	(302,341)	0	(300,190)	0
Cash Flows from Investing Activities:				
Receipts of Interest	3,029	0	18	0
Net Increase (Decrease) in Cash and Cash Equivalents	(7,112)	6,551	(82,008)	10,151
Cash and Cash Equivalents Beginning of Year	54,805	28,304	136,813	18,153
Cash and Cash Equivalents End of Year	$ 47,693	$ 34,855	$ 54,805	$ 28,304
Reconciliation of Operating Income (Loss) To Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	$ (90,374)	$ 13,401	$ 14,271	$ 11,288
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	216,343	0	222,936	0
(Increase) Decrease in Assets and Deferred Outflows:				
Net Pension Asset	0	0	12,218	0
Deferred Outflows - Pension	(104,780)	0	(107,680)	0
Accounts Receivable	18,147	(15,525)	(4,736)	(1,112)
Prepaids	233	0	8,491	0
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	(59,369)	8,675	40,875	(25)
Deferred Inflows - Pension	(17,031)	0	25,244	0
Net Pension Liability	218,367	0	99,456	0
Accrued Wages	(2,058)	0	78	0
Unearned Revenue	40,746	0	(39,955)	0
Intergovernmental Payable	5,700	0	(17,461)	0
Net Cash Provided by Operating Activities	$ 225,924	$ 6,551	$ 253,737	$ 10,151

See accompanying notes to the basic financial statements.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Economic Development and Finance Alliance (the Alliance) is presented to assist in understanding the Alliance's financial statements. The financial statements and notes are representations of the Alliance's management and board who are responsible for their integrity and objectivity. These policies have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

The Economic Development and Finance Alliance, Tuscarawas County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.02 of the Ohio Revised Code. The Alliance was created December 31, 2000. The Alliance is governed by a five-member Board of Directors. Members of the Board are appointed by the Tuscarawas County Commissioners. The purpose of the Alliance is to be involved in the activities that enhance foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Tuscarawas County.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Alliance consists of its general operating fund.

Component units are legally separate organizations for which the Alliance is financially accountable. The Alliance is financially accountable for an organization if the Alliance appoints a voting majority of the organization's governing board and (1) the Alliance is able to significantly influence the programs or services performed or provided by the organizations; (2) the Alliance is legally entitled to or can otherwise access the organization's resources; (3) the Alliance is legally obligated or has otherwise assumed the responsibility to finance the deficits, or provide financial support to, the organization; or (4) the Alliance is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Alliance in that the Alliance approves the budget, the issuance of debt or the levying of taxes.

Discretely Presented Component Unit – The component unit column in the entity-wide financial statements identifies the financial data of the Alliance's component unit, Business Park Incubator. It is reported separately to emphasize that it is legally separate from the Alliance.

Business Park Incubator – The Business Park Incubator, Inc. (the "Business Park") is a legally separate entity and was incorporated as a not-for-profit under the laws of the State of Ohio on August 7, 2003. Operations of the Business Park commenced March 1, 2005. The Business Park was organized for the purpose to develop and promote a business incubator in order to aid development of scalable, light manufacturing, assembly, service, or other businesses within Tuscarawas County and the surrounding areas and communities. The Business Park's board members are appointed by the Economic Development and Finance Alliance's board of directors. Since the Business Park imposes a financial burden on the Economic Development and Finance Alliance, the Business Park is reflected as a component unit of the Alliance. Financial statements can be obtained from Stephen Schillig, Treasurer, Business Park Incubator, 315 East Broadway, Dover, Ohio 44622.

The Alliance's management believes these financial statements present all activities for which the Alliance is financially accountable.

B. Basis of Accounting

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

The Alliance's financial statements consist of comparative statements of fund net position, comparative statements of revenue, expenses and changes in fund net position, and statements of cash flows.

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

Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Alliance, deferred outflows of resources are reported on the comparative statement of fund net position for pension. The deferred outflows of resources related to pension are explained in Note 4.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Alliance, deferred inflows of resources were reported for pension. Deferred inflows of resources related to pension are reported on the comparative statement of fund net position. (See Note 4)

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Alliance are included on the comparative statement of fund net position. The comparative statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Alliance finances and meets the cash flow needs of its enterprise activity.

D. Fund Accounting

The Alliance maintains an enterprise fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Alliance. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

E. Pooled Cash and Cash Equivalents

To improve cash management, all cash received by the Alliance is pooled. All money is maintained in this pool. The Alliance's interest in the pool is presented as "equity in pooled cash and cash equivalents."

For purposes of the statement of cash flows, the Alliance considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Alliance had no investments at year end.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017 and 2016, 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 expense in the year in which the services are consumed.

G. Accrued Liabilities and Long-Term Obligations

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. Long-term loans are recognized as a liability on the financial statements when due.

H. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

I. Budgetary Process

Ohio Rev. Code Section 4582.13 requires that each fund be budgeted annually. This budget includes estimated receipts and appropriations.

1. Appropriations

The Board annually approves appropriations and subsequent amendments. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed amounts appropriated for each office, department and division, and within each, the amount appropriated for personal services. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Alliance reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and are not reappropriated.

J. Capital Assets

Capital assets utilized by the Alliance are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their acquisition value as of the date received. The Alliance maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land and Construction in Progress	N/A
Buildings and Improvements	5-39 Years
Land Improvements	5 Years
Vehicles	5 Years
Office Equipment	5-7 Years

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Alliance did not have any restricted net position for 2017 and 2016.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Alliance. All revenue and expenses not meeting these definitions are classified as nonoperating.

M. Estimates

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

N. Financing Fee Income

Fees associated with economic development loan programs and conduit debt transactions are recognized in operating income as they are received. Such fees will only be paid while the related debt is outstanding, therefore, they are subject to the risk that the debt will be repaid in advance of scheduled maturity.

O. Lease Accounting

The Alliance classifies leases at the inception of each lease in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, except for leases that are not recognized for accounting purposes under Interpretation No. 2 of the GASB, Disclosure of Conduit Debt Obligations, because they secure the repayment of conduit debt.

P. Pensions

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

Q. Implementation of New Accounting Principles

For the year ended December 31, 2017, the Alliance has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14,* GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Alliance.

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

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Alliance's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

For the year ended December 31, 2016, the Alliance has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,*

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.*

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Alliance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Alliance.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Alliance.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the Alliance's financial statements as the Alliance does not have any GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Alliance.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Alliance.

NOTE 2: CASH AND CASH EQUIVALENTS

State statues classify monies held by the Alliance into three categories.

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

Inactive deposits are public deposits that the Alliance has identified as not required for use within the current five 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 are deposits of interim monies. Interim monies are those 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.

Protection of the Alliance'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.

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 and any other obligations of the State of Ohio;

5. 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;

6. The State Treasurer's investment pool (STAR Ohio).

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred seventy days, respectively, from the purchase date in any amount not to exceed 40 percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in of the highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose 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 the Alliance, and must be purchased with the expectation that it will be held to 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 Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Capital Assets Not Being Depreciated:				
Land	$ 792,609	$ 0	$ 0	$ 792,609
Capital Assets, Being Depreciated:				
Buildings and Improvements	7,333,636	123,183	(600,000)	6,856,819
Land Improvements	16,365	0	0	16,365
Vehicles	129,715	0	0	129,715
Office Equipment	41,736	0	0	41,736
Total Capital Assets, Being Depreciated	7,521,452	123,183	(600,000)	7,044,635
Less Accumulated Depreciation:				
Buildings and Improvements	(1,709,566)	(192,220)	168,930	(1,732,856)
Land Improvements	(11,455)	(3,273)	0	(14,728)
Vehicles	(49,104)	(25,491)	0	(74,595)
Office Equipment	(35,176)	(1,952)	0	(37,128)
Total Accumulated Depreciation	(1,805,301)	(222,936)	168,930	(1,859,307)
Total Capital Assets Being Depreciated, Net	5,716,151	(99,753)	(431,070)	5,185,328
Total Business-Type Activities Capital Assets, Net	$ 6,508,760	$ (99,753)	$ (431,070)	$ 5,977,937

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital Assets Not Being Depreciated:				
Land	$ 792,609	$ 0	$ 0	$ 792,609
Capital Assets, Being Depreciated:				
Buildings and Improvements	6,856,819	78,671	0	6,935,490
Land Improvements	16,365	0	0	16,365
Vehicles	129,715	0	0	129,715
Office Equipment	41,736	3,621	0	45,357
Total Capital Assets, Being Depreciated	7,044,635	82,292	0	7,126,927
Less Accumulated Depreciation:				
Buildings and Improvements	(1,732,856)	(188,475)	0	(1,921,331)
Land Improvements	(14,728)	(1,637)	0	(16,365)
Vehicles	(74,595)	(24,819)	0	(99,414)
Office Equipment	(37,128)	(1,412)	0	(38,540)
Total Accumulated Depreciation	(1,859,307)	(216,343)	0	(2,075,650)
Total Capital Assets Being Depreciated, Net	5,185,328	(134,051)	0	5,051,277
Total Business-Type Activities Capital Assets, Net	$ 5,977,937	$ (134,051)	$ 0	$ 5,843,886

NOTE 4: DEFINED BENEFIT PENSION PLANS AND POST-EMPLOYMENT BENEFITS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in 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 - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
	2017	2016
Statutory Maximum Contribution Rates		
Employer	14.00 %	14.00 %
Employee	10.00 %	10.00
Actual Contribution Rates		
Employer:		
Pension	13.00 %	12.00 %
Post-Employment Health Care Benefits	1.00 %	2.00 %
Total Employer	14.00 %	14.00 %
Employee	10.00 %	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Alliance's contractually required contribution was $49,673 and $47,448 for 2017 and 2016, respectively. Of the 2017 amount, $1,006 is reported as intergovernmental payable.

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, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Alliance's proportion of the net pension liability was based on the Alliance's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	
	2017	2016
Proportion of the Net Pension Liability:		
Current Measurement Period	0.00298449%	0.00265200%
Prior Measurement Period	0.00265200%	0.00298400%
Change in Proportion	0.00033249%	-0.00033200%
Proportionate Share of the Net Pension Liability	$ 677,727	$ 459,360
Pension Expense	$ 146,229	$ 76,686

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2017 and 2016, the Alliance reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	
	2017	2016
Deferred Outflows of Resources		
Net Difference between Projected and Actual Earnings on Pension Plan Investments	$ 100,927	$ 135,023
Differences between Expected and Actual Experience	919	0
Changes of Assumptions	107,495	0
Changes in Proportionate Share	28,237	0
Alliance Contributions Subsequent to the Measurement Date	49,673	47,448
Total Deferred Outflows of Resources	$ 287,251	$ 182,471
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	$ 4,034	$ 8,875
Changes in Proportionate Share	14,230	26,420
Total Deferred Inflows of Resources	$ 18,264	$ 35,295

$49,673 reported as deferred outflows of resources related to pension resulting from Alliance contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2018	86,037
2019	99,201
2020	37,036
2021	(2,960)
	$ 219,314

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, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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

Mortality rates were 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.

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

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month.

Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets within 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 following table displays the Board-approved asset allocation policy for 2016 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 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Alliance's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Alliance's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the Alliance's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Alliance's proportionate share of the net pension liability for calandar year 2017:	$ 1,035,379	$ 677,727	$ 379,687

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Alliance's proportionate share of the net pension liability for calandar year 2016:	$ 731,872	$ 459,360	$ 229,504

Post-Employment Benefits

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. 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 health care coverage, age-and-service retirees under the traditional and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through 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 2017 and 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was one percent during calendar year 2017 and two percent during calendar 2016. 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 and 2016 was four percent.

The Alliance's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were $3,821, $7,908 and $9,140, respectively. For 2017, 77 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

NOTE 5: RISK MANAGEMENT

The Alliance is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

The Alliance has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The Alliance also provided health insurance and vision coverage to full-time employees through the Tuscarawas County Employees Healthcare Consortium.

NOTE 6: NOTE PAYABLE

The Alliance had a revolving line of credit up to $150,000 with First National Bank of Dennison. The line of credit was utilized for capital asset acquisition as well as to pay for operating expenses of the Alliance.

Notes payable activity for the year ended December 31, 2016 was as follows:

	Outstanding 1/1/2016	Additions	Reductions	Outstanding 12/31/2016
First National Bank of Dennison	$ 0	$ 57,500	$ 0	$ 57,500

Notes payable activity for the year ended December 31, 2017 was as follows:

	Outstanding 1/1/2017	Additions	Reductions	Outstanding 12/31/2017
First National Bank of Dennison	$ 57,500	$ 232,208	$ (160,733)	$ 128,975

NOTE 7: RECEIVABLES

Receivables at December 31, 2017 and 2016 consisted of accounts (billings for user charged rents) and loans receivable. All receivables are deemed collectible in full.

In 2012 the Alliance entered into a loan agreement with Tremcar, USA Inc. for $128,753. The monies were used to upgrade the AK Steel building. The loan was paid off during 2016.

The $13,697 loan receivable from Tremcar USA, Inc. is for financing charges. The financing charges were paid by the Alliance to the Tuscarawas County Commissioners on Tremcar's behalf for a $150,000 loan. The loan was paid off during 2016.

In 2016 the Alliance entered into a loan agreement with Extreme Trailers, LLC for $179,400. The monies were used to purchase equipment in the AK Steel building. The monthly payments were deferred until July 2017. In 2017 Extreme Trailers, LLC will make up the six payments from 2016. Monthly installments are in the amount of $3,263.60 with an interest rate of 3.5 percent. Due to financial restraints Extreme Trailers, LLC were only able to make the first six payments on the receivable, but expect to catch the payments by December 31, 2018. Final payment will be due May 1, 2021.

Loans receivable activity for the year ended December 31, 2016 was as follows:

	Outstanding 1/1/2016	Additions	Reductions	Outstanding 12/31/2016	Amount to be Received In One Year
Extreme Trailers, LLC - 3.5%	$ 0	$ 179,400	$ 0	$ 179,400	$ 53,456
Tremcar USA, Inc. - 3%	128,753	0	(128,753)	0	0
Tremcar USA, Inc.- 0%	13,697	0	(13,697)	0	0
Total	$ 142,450	$ 179,400	$ (142,450)	$ 179,400	$ 53,456

Loans receivable activity for the year ended December 31, 2017 was as follows:

	Outstanding 1/1/2017	Additions	Reductions	Outstanding 12/31/2017	Amount to be Received In One Year
Extreme Trailers - 3.50%	$ 179,400	$ 0	$ (16,562)	$ 162,838	$ 72,212

The annual requirements to retire the receivable are as follows:

	Loans Receivable	
Year	Principal	Interest
2018	72,212	9,378
2019	36,574	2,589
2020	37,875	1,288
2021	16,177	142
Totals	$ 162,838	$ 13,397

NOTE 8: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the Alliance during the year ended December 31, 2016 consisted of the following:

	Outstanding 1/1/2016	Additions	Reductions	Outstanding 12/31/2016	Amounts Due In One Year
General long-term obligations:					
Loans Payable - First National Bank of Dennison	$ 991,439	$ 0	$ (66,251)	$ 925,188	$ 54,156
Loans Payable - First National Bank of Dennison	1,473,200	0	(101,600)	1,371,600	101,600
Total Loans Payable	2,464,639	0	(167,851)	2,296,788	155,756
Net Pension Liability:					
OPERS	359,904	99,456	0	459,360	0
Total Loans Payable and Net Pension Liability	$ 2,824,543	$ 99,456	$ (167,851)	$ 2,756,148	$ 155,756

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

	Outstanding 1/1/2017	Additions	Reductions	Outstanding 12/31/2017	Amounts Due In One Year
General long-term obligations:					
Loans Payable - First National Bank of Dennison	$ 925,188.00	$ 0	$ (53,588.00)	$ 871,600.00	$ 56,409.00
Loans Payable - First National Bank of Dennison	1,371,600	0	(101,600)	1,270,000	101,600
Total Loans Payable	2,296,788	0	(155,188)	2,141,600	158,009
Net Pension Liability:					
OPERS	459,360	218,367	0	677,727	0
Total Loans Payable and Net Pension Liability	$ 2,756,148	$ 218,367	$ (155,188)	$ 2,819,327	$ 158,009

On May 22, 2015 the Alliance entered into two loans with First Federal National Bank of Dennison. The first was for $1,524,000 the other was for $1,016,000. The proceeds were used to repay J. P. Morgan Chase Bank. These loans bear variable interest rates that may change periodically. Both loans will mature on June 1, 2030. Monthly payments will be made on the $1,524,000 in the amount of $8,467 plus interest. Monthly payments on the $1,016,000 were $7,609, in 2017, which includes interest.

The annual requirements to retire debt are as follows:

	Loans Payable	
Year	Principal	Interest
2018	$ 158,009	$ 72,106
2019	160,380	66,644
2020	162,851	61,083
2021	165,426	55,418
2022	168,109	49,644
2023-2027	884,911	157,499
2028-2030	441,914	18,750
Totals	$ 2,141,600	$ 481,144

Promissory Note

On December 15, 2011, the Alliance and Tremcar, Inc./Tremcar USA, Inc., jointly became co-makers of a promissory note in the amount of one hundred and fifty thousand dollars ($150,000) with interest of three percent (3%) per annum on the unpaid balance, payable in monthly installments, due the Board of Tuscarawas County Commissioners, commencing on January 1, 2012 and concluding on December 1, 2016. The loan was paid in full as of December 31, 2016.

Tremcar, Inc./Tremcar USA, Inc. is first liable for said payments with the Alliance being secondary liable for the debt as a co-maker. No disclosure of the debt is presented on the financial statements or notes thereof of the Alliance due to the fact that Tremcar, Inc./Tremcar USA, Inc. has made all the debt payment requirements in 2016. This debt was signed and agreed to by the Alliance and Tremcar, Inc./Tremcar USA, Inc. and approved by the Tuscarawas County Prosecutor's Office.

NOTE 9: OPERATING LEASES – LESSOR DISCLOSURE

The Alliance leases building space under leases that are considered non-cancelable by either party. A summary of the cost and carrying value of each asset and the amount of lease payments that came due during the period (including outstanding amounts) is summarized below. As of December 31, 2017 and 2016, the Alliance had no outstanding lease payments; therefore, no accounts receivable, attributed to this lease, are reported within the basic financial statements.

2017

Leased Asset	Asset Cost	Accumulated Depreciation	Carrying Value
Reeves Mills Business Park	$ 5,160,100	$ 1,465,686	$ 3,694,414

2016

Leased Asset	Asset Cost	Accumulated Depreciation	Carrying Value
TCPA Business Park	$ 3,703,524	$ 964,292	$ 2,739,232

The following is a schedule of future long-term lease payments required under the operating leases as of December 31, 2017:

		Operating Lease
Year Ending December 31,	2018	$ 589,895
	2019	577,021
	2020	577,021
	2021	498,160
	2022	419,299
	2023-2024	559,065
Total Lease Payments		$3,220,461

NOTE 10: CONCENTRATION OF CREDIT RISK

The Alliance maintains its activities within the Tuscarawas County, Ohio geographical area. The performance of its operational activities will be dependent on the performance of its tenants. The results of these companies and the operations of the Alliance projects may be dependent on the economical conditions of the local trade area.

NOTE 11: CONDUIT DEBT OBLIGATIONS

In 2012, the Alliance issued a promissory note in the amount of $280,000 to provide financial assistance to Tremcar USA, Inc. The monies were used for upgrades to the facilities. The Alliance has no obligation for the repayment of this debt. The promissory note is not indebtedness of the Alliance and is therefore not reported on the Alliance's statement of net position. At December 31, 2016 the debt was paid off.

NOTE 12: SUBSEQUENT EVENT

On October 31, 2019, the Tuscarawas County Economic Development Corporation (TCEDC), a 501(c)3 non-profit organization, was formed to maximize the development and utilization of the human and economic resources of Tuscarawas County in order to create or preserve jobs and development opportunities and to improve the welfare of the people of the County. The TCEDC will provide Management services to the Alliance. The Alliance paid $80,000 in January of 2019 toward the total 2019 management fees of $320,000.

In 2019, the Alliance purchased a new warehouse in New Philadelphia. On April 24, 2019 the Alliance voted to accept a $1,296,000, 20-year amortization, variable rate loan and a $150,000, 5-year, variable rate loan from 1st National Bank of Dennison to finance the purchase.

In 2019, the Alliance incurred capital expenses of approximately $225,000 for the office building roof replacement, office renovation, office mold abatement and to repair windows and roof at the Reeves Mill Warehouse.

During 2019, the Alliance entered into a State Infrastructure Bank Loan with ProVia for $1,089,000.

NOTE 13: BUSINESS PARK INCUBATOR – COMPONENT UNIT

A. Description of Business Park Incubator

The Business Park Incubator, Inc. (the "Business Park") was incorporated as a not-for-profit under the laws of the State of Ohio on August 7, 2003. Operations of the Business Park commenced March 1, 2004. The Business Park was organized for the purpose to develop and promote a business incubator in order to aid development of scalable, light manufacturing, assembly, service, or other businesses within Tuscarawas County and the surrounding areas and communities. On March 22, 2006 the Business Park received an exemption from Federal income tax under IRC Section 501(c)(3), effective August 7, 2003.

Since the business park imposes a financial burden on the Alliance, the Business Park is reflected as a component unit of Economic Development and Finance Alliance. The Business Park has a December 31 year end.

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

B. Summary of Significant Accounting Policies

The Business Park reports its operations as a single enterprise fund. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

1. Measurement Focus and Basis of Accounting

The Business Park's fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. Net position (i.e., equity) is segregated into invested in capital assets, net of related debt, and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made. The Business Park uses the accrual basis of accounting in which revenue is recognized when earned and expenses when incurred.

2. Cash

To improve cash management, cash received by the Business Park is pooled in a central bank account. All money is maintained in this pool. The Business Park interest in the pool is presented as "equity in pooled cash and cash equivalents." The Business Park has no investments. Investment procedures are restricted by the provisions of the Ohio Revised Code.

3. Capital Assets

Capital assets at the Business Park are capitalized. All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

Donated capital assets are recorded at their acquisition value as of the date donated.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund capital assets.

Depreciation is computed using the straight-line basis over the following estimated useful lives:

Description	Estimated Lives
Improvements Other than Buildings	10 Years
Furniture and Equipment	5 -10 Years

4. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activity. For the Business Park, these revenues are primarily contributions. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Business Park. All revenue and expenses not meeting these definitions are classified as non-operating.

5. Estimates

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

C. Deposits and Investments

The Business Park follows the same statutory requirements for deposits and investments as the primary government (See Note 2).

D. Risk Management

The Business Park is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

The Business Park has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

E. Capital Assets

A summary of the Business Park's capital assets at December 31, 2016 follows:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Depreciated Captial Assets:				
Improvements Other than Buildings	$ 28,768	$ 0	$ 0	$ 28,768
Less: Accumulated Depreciation:				
Improvements Other than Buildings	(28,768)	0	0	(28,768)
Total Capital Assets Being Depreciated, Net	$ 0	$ 0	$ 0	$ 0

A summary of the Business Park's capital assets at December 31, 2017 follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Depreciated Captial Assets:				
Improvements Other than Buildings	$ 28,768	$ 0	$ 0	$ 28,768
Less: Accumulated Depreciation:				
Improvements Other than Buildings	(28,768)	0	0	(28,768)
Total Capital Assets Being Depreciated, Net	$ 0	$ 0	$ 0	$ 0

F. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Business Park did not have any restricted net position for 2017 and 2016.

G. Subsequent Events

During 2019, all tenants left the Business Park Incubator, eliminating the rental revenue source of the Incubator.

NOTE 14: RELATED PARTIES

A. Business Park Incubator

During 2017, the Alliance provided the Business Park the use of approximately 20,000 square feet of property free of charge. This usage was valued at $46,800 and reported as Contributions Operating Revenue and Rent Subsidy Expenses by the Business Park. The rate used was the past rental rate per square foot of the space utilized by the Business Park.

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Economic Development and Finance Alliance
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the Alliance's Proportionate Share of the Net Pension Liability
Last Four Years (1)

	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)				
Alliance's Proportion of the Net Pension Liability	0.0029845%	0.0026520%	0.0029840%	0.0029840%
Alliance's Proportionate Share of the Net Pension Liability	$ 677,727	$ 459,360	$ 359,904	$ 351,775
Alliance's Covered Payroll	$ 395,400	$ 345,192	$ 365,825	$ 309,900
Alliance's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	171.40%	133.07%	98.38%	113.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

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

Notes:
Ohio Public Employees' Retirement System (OPERS)
Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00% to 7.50%
- Wage inflation rate from 3.75% to 3.25%
- Price inflation from 3.00% to 2.50%

Economic Development and Finance Alliance
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of Alliance Contributions
Last Five Years

	2017	2016	2015	2014	2013
Ohio Public Employees' Retirement System (OPERS)					
Contractually Required Contribution	$ 49,673	$ 47,448	$ 41,423	$ 43,899	$ 40,287
Contributions in Relation to the Contractually Required Contribution	(49,673)	(47,448)	(41,423)	(43,899)	(40,287)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Alliance's Covered Payroll	$ 382,100	$ 395,400	$ 345,192	$ 365,825	$ 309,900
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(n/a) Information prior to 2013 is not available.

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

Economic Development and Finance Alliance
Tuscarawas County
339 Oxford Street
Dover, Ohio 44622

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of the Economic Development and Finance Alliance, Tuscarawas County, Ohio (the Alliance), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Alliance's basic financial statements and have issued our report thereon dated November 26, 2019, wherein we noted the Alliance adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* and we also noted the prior period financial statements were audited by a predecessor auditor and expressed an unmodified opinion on those statements.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Alliance's financial statements. We consider Finding 2018-001 described in the accompanying Schedule of Findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2018-002 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

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

Alliance's Response to Findings

The Alliance's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Alliance's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

November 26, 2019

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Material Weakness

Maintaining organized documentation and support for financial transactions is essential in assuring the Alliance's financial statements are accurately presented and complete. The Business Park Incubator (BPI), a component unit of the Alliance, had rental agreements with three companies for the rent of space from the BPI. Invoices to these companies were prepared and sent monthly by the Alliance who also collected the rental revenue prior to remitting the revenue to the BPI.

During 2017 and 2018 testing of rent revenue of the BPI, the following was noted:

- A lease agreement with HV Coil stated that the monthly lease amount to be paid was $2,225 with the business responsible for paying electricity and gas service based on sub-metered amounts. Of the $2,225 monthly collections received by the Alliance, the Alliance transferred only half of the amount, $1,113, to the BPI and retained the rest as a reduction to the Alliance's utility expense. The Alliance was unable to provide a written agreement to support that this arrangement was based on a mutual decision. Additionally, the BPI recorded the net amount of the receipt on their ledgers. As the full rental revenue belongs to the BPI, the BPI should have recorded the gross amount of the rent revenue and report any amounts retained by the Alliance for utilities or other operational expense charged by the Alliance as an expense against the revenue. As a result, BPI Rental Revenue and Facility Rent Expense were understated by $13,350, and Accounts Payable and Accounts Receivable were understated by $6,675 for 2017. For 2018, Rental Revenue and Facility Rent Expense were understated by $13,790. The financial statements have been adjusted accordingly.
- In 2017, the Alliance collected $2,800 for BPI rent revenue from STRAT2G (dba Three30 Group); however, the Alliance failed to transfer these receipts to the BPI. As such, rental revenue reported by the BPI in 2017 was understated by $2,800 along with the receivable for the same amount at December 31, 2017 and 2018. The financial statements have been adjusted accordingly.
- Due to errors in tracking invoices paid to the BPI and lack of supporting documentation provided by the Alliance to the BPI, errors regarding the reported Accounts Receivable were noted as the BPI could not properly track the amount due. The net amount of other errors not identified above resulted in Accounts Receivable and Rental Revenue for 2018 being understated by $749 and for 2017 being overstated by $500.

The Business Park Incubator should implement procedures to ensure that all receipts are properly recorded at the gross amount and that the amount received and any related expense agrees with the rental agreement. The BPI should record any expenses related to the receipt against the gross amount of the receipt and should not post revenues net of expenses. The BPI should track all revenues due to them from their renters and compare that to the amount remitted to them from the Alliance. The BPI should follow up with the Alliance regarding any discrepancies between what has been remitted and what is due to them. This will help to ensure that the BPI is collecting all revenues due to them and also to help ensure that amounts reported on the financial statements related to revenues and receivables are properly reported.

Officials’ Response: The proposed solution is to have BPI invoice and collect directly from any of their Tenants. This is an ideal time to make that proposed change, because BPI does not currently have any Tenants.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-002

Significant Deficiency

The Alliance records revenue for warehousing related charges for services. Rates for some charges were outlined in a warehouse agreement with the customer procuring the warehouse space.

During 2017 and 2018, the Alliance charged amounts to customers based on rates that were not included in the warehouse agreement. Also, the Alliance failed to enter a warehousing agreement with some customers and failed to maintain supporting documentation of the approval of amounts charged when it was explained that these charges were determined on a "case by case basis." While support of approval of these rates was not maintained, it was found that the amount charged to the customer was consistent across various billings.

The Alliance should implement procedures to ensure that all rates charged for services performed are approved by the Board. These rates should be included in the warehouse agreements. The Alliance should maintain supporting documentation of the approval of these rates. This will help to ensure that the correct fees are charged, and that the Alliance is collecting all revenues due to them.

Officials' Response: The Alliance has two Warehouse Customers currently, Dover Chemical and Kraton Chemical. Both Customers have executed Agreements with the Alliance that were approved by the Alliance's Board of Directors. Though we do not anticipate any additional Customers, if we do gain any new Customers, a Rate Schedule will be negotiated and approved by the Board in each instance.

OHIO AUDITOR OF STATE
KEITH FABER

ECONOMIC DEVELOPMENT AND FINANCE ALLIANCE OF TUSCARAWAS COUNTY

TUSCARAWAS 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
DECEMBER 10, 2019