



Certified Public Accountants, A.C.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED JUNE 30, 2021-2020**

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Council Members
Mahoning Valley Regional Council of Governments
7320 North Palmyra Road
Canfield, Ohio 44406

We have reviewed the *Independent Auditor's Report* of the Mahoning Valley Regional Council of Governments, Mahoning County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mahoning Valley Regional Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 29, 2022

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**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

March 31, 2022

Mahoning Valley Regional Council of Governments
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Council Members:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the **Mahoning Valley Regional Council of Governments**, Mahoning County, Ohio (the Council), as of and for the year ended June 30, 2021 and six months ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Council'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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 Council'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 Council'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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the Mahoning Valley Regional Council of Governments, Mahoning County, Ohio, as of June 30, 2021 and 2020, and the changes in its cash financial position for the year and six month period, respectively, then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the 2020 financial statements, the Council revised their year-end date from a calendar year end to a fiscal year end of June 30. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of the Council'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 Council's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2021

| | |
|---------------------------|------------------|
| Assets: | |
| <u>Current assets:</u> | |
| Cash | <u>\$ 29,478</u> |
| | |
| Net cash position: | |
| Unrestricted | <u>\$ 29,478</u> |

SEE ACCOMPANYING NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN NET CASH POSITION
FOR THE YEAR ENDED JUNE 30, 2021

| | |
|---------------------------------------------------|-------------------------|
| Operating cash receipts: | |
| Charges for services | \$ 6,758,425 |
| Other | 2,967 |
| Total operating cash receipts | <u>6,761,392</u> |
| Operating cash disbursements: | |
| Salaries | 5,640,502 |
| Fringe benefits | 1,234,009 |
| Purchased services | 65,550 |
| Other | 19,578 |
| Total operating cash disbursements | <u>6,959,639</u> |
| Operating income / change in net cash position | (198,247) |
| Non-operating cash receipts | |
| Interest income | <u>733</u> |
| Change in net cash position | (197,514) |
| Net cash position at beginning of year | <u>226,992</u> |
| Net cash position at end of year | <u><u>\$ 29,478</u></u> |

SEE ACCOMPANYING NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

**NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF THE COUNCIL

Effective July 15, 2013, the Mahoning Valley Regional Council of Government (the "Council") was formed pursuant to the provisions of Chapter 167 of the Ohio Revised Code (ORC). The Council was created as a regional council of governments by an Agreement between the Board of Education of the Mahoning County Educational Service Center ("MCESC"), the Board of Education of the Struthers City School District ("Struthers CSD") and the Board of Education of the Canfield Local School District ("Canfield LSD"). The MCESC, Struthers CSD and Canfield LSD are the Original Members of the Council. The Council was created to provide personnel and to deliver services to the Original Members and to other educational entities pursuant to the Agreement establishing the Council and subsequent By-Laws adopted pursuant to the Agreement.

The Council is governed by a Governing Board consisting of one elected member of the MCESC and one elected board member from the county to be chosen by appointment from the MCESC Board; the Struthers CSD Superintendent; the Canfield LSD Superintendent; and two at-large Superintendent representatives and one at-large Treasurer member, all positions shall be appointed by a majority of the Original Members.

The voting members of the Council shall be the Original Members. Other public bodies that enter Professional Services Agreements with the Council after the formation of the Council shall be associate members. Associate members shall receive notice of and may attend meetings of the Council but shall not be represented on the Governing Board and shall not vote.

The Council employs personnel to perform teaching and non-teaching services for the Original Members and other educational entities, and the Council provides for the assignment, reassignment, evaluation, discipline, compensation and fringe benefits for such personnel. The Council enters into service agreements with participating entities in which the entities agree to pay the Council a percentage of all personnel costs incurred by the Council required to perform the services desired.

The MCESC's Treasurer is the Fiscal Officer for the Council. The Council's management believes these cash-basis financial statements present all activities for which the Council is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Council's accounting policies.

A. Basis of Presentation

The Council's basic financial statements consist of a statement of net position - cash basis and statement of cash receipts, cash disbursements and changes in net cash position.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

The Council's financial statements are prepared using the cash basis of accounting. Under the cash basis of accounting, receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Operating receipts are those receipts that are generated directly from the primary activity of the Council. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Council. All receipts and disbursements not meeting these definitions are reported as non-operating.

C. Fund Accounting

The Council maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of the governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The Council uses an enterprise fund to account for its operations. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) 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 receipts, disbursements, and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. Cash

The Council maintains one depository account and one sweep account.

E. Budgetary Process

The Council is not bound by the budgetary laws prescribed by the ORC and, therefore, does not prepare an annual budget.

F. Unpaid Personal Leave

In certain circumstances, employees are entitled to cash payments for unused personal leave. Any unpaid personal leave is not reflected as a liability at June 30, 2021 under the basis of accounting used by the Council.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council had no restricted net cash position at fiscal year-end.

H. Employer Contributions to Cost-Sharing Pension Plans

The Council recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Note 6 and Note 7, the employer contributions include portions for pension benefits and for postemployment health care benefits.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2021, the Council has implemented GASB Statement No. 95, *“Postponement of the Effective Dates of Certain Authoritative Guidance”*, GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB 95, the effective dates of certain provisions in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

**NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - DEPOSITS

At June 30, 2021, the carrying amount of the Council's deposits was \$29,478. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2021, \$91,448 of the Council's bank balance of \$91,448 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Council will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Council has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Council and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) 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. The OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021, the Council's financial institution was approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Council to a successful claim by the FDIC.

NOTE 5 - RISK MANAGEMENT

A. Liability Insurance

The Council is exposed to various risks of loss. During 2021, the Council has contracted with McGowan Governmental Underwriters to obtain liability insurance with coverage amounts of \$1,000,000 per occurrence and \$3,000,000 in aggregate insuring the Council's personnel against liability arising out of or connected with the provision of services.

Settled claims have not exceeded this commercial coverage in any of the past two years. There was no significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2021, the Council paid the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability/Asset

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The net pension/OPEB liability (asset) represent the Council's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 Council's obligation for this liability to annually required payments. The Council cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the Council does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

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

The remainder of this note includes the required pension disclosures. See Note 7 for the required OPEB disclosures.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Description - School Employees Retirement System (SERS)

Plan Description - The Council non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources. Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Full Benefits | Age 65 with 5 years of service credit Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees. For 2021, the COLA was 0.5%.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Council is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The Council's contractually required contribution to SERS was \$499,969 for fiscal year 2021.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2021, plan members were required to contribute 14% of their annual covered salary. The Council was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The Council's contractually required contribution to STRS was \$289,701 for fiscal year 2021.

Net Pension Liability

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability was based on the Council's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--------------------------------------------------------|--------------------|--------------------|---------------|
| Proportion of the net pension liability - current year | 0.14339740% | 0.02483875% | |
| Proportion of the net pension liability - prior year | <u>0.12845740%</u> | <u>0.01628018%</u> | |
| Change in proportionate share | <u>0.01494000%</u> | <u>0.00855857%</u> | |
| Proportionate share of the net pension liability | \$ 8,496,443 | \$ 3,939,224 | \$ 12,435,667 |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

| | |
|----------------------------------------------|-------------------------------------------------------|
| Wage Inflation | 3.00% |
| Future Salary Increases, including inflation | 3.50% to 18.20% |
| COLA or Ad Hoc COLA | 2.50% |
| Investment Rate of Return | 7.50% net of investments expense, including inflation |
| Actuarial Cost Method | Entry age normal (level percent of payroll) |

For 2020, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015. The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---------------------------------------------------|
| Cash | 2.00 % | 1.85 % |
| US Stocks | 22.50 | 5.75 |
| International Equity | 22.50 | 6.50 |
| Fixed Income | 19.00 | 2.85 |
| Private Equity | 12.00 | 7.60 |
| Real Assets | 17.00 | 6.60 |
| Multi-Asset Strategies | 5.00 | 6.65 |
| | | |
| Total | <u>100.00 %</u> | |

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

| | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|---------------------------------------------------------------|--------------------------------|----------------------------------------------|--------------------------------|
| Council's proportionate share of the net pension liability | \$ 11,639,090 | \$ 8,496,443 | \$ 5,859,703 |

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

| | <u>July 1, 2020</u> |
|--------------------------------------|-----------------------------------------------------------|
| Inflation | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment Rate of Return | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% |
| Cost-of-Living Adjustments (COLA) | 0.00% |

For the July 1, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return *</u> |
|----------------------|------------------------------|-----------------------------------------------------|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | <u>100.00 %</u> | |

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

* 10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Council's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease (6.45%) | Discount Rate (7.45%) | 1% Increase (8.45%) |
|---------------------------------------------------------------|------------------------|--------------------------|------------------------|
| Council's proportionate share of the net pension liability | \$ 5,608,770 | \$ 3,939,224 | \$ 2,524,424 |

NOTE 7 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See note 6 for a description of the net OPEB liability (asset).

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Council contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Council's surcharge obligation was \$84,907.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Council's contractually required contribution to SERS was \$84,907 for fiscal year 2021.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/(asset)

The net OPEB liability/(asset) was measured as of June 30, 2020, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The Council's proportion of the net OPEB liability/(asset) was based on the Council's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------------------------------------------------|---------------------|---------------------|--------------|
| Proportion of the net OPEB liability/(asset) prior measurement date | 0.14591200% | 0.02483875% | |
| Proportion of the net OPEB liability/(asset) current measurement date | <u>0.13316460%</u> | <u>0.01628018%</u> | |
| Change in proportionate share | <u>-0.01274740%</u> | <u>-0.00855857%</u> | |
| Proportionate share of the net OPEB liability/(asset) | \$ 2,894,103 | \$ (286,124) | \$ 2,607,979 |

Actuarial Assumptions - SERS

The total OPEB liability/asset is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability/asset in the latest actuarial valuation date of June 30, 2020, are presented below:

| | |
|------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 2.45% |
| Prior measurement date | 3.13% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 2.63% |
| Prior measurement date | 3.22% |
| Medical trend assumption: | |
| Medicare | 5.25% to 4.75% |
| Pre-Medicare | 7.00% to 4.75% |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---------------------------------------------------|
| Cash | 2.00 % | 1.85 % |
| US Stocks | 22.50 | 5.75 |
| Non-US Stocks | 22.50 | 6.50 |
| Fixed Income | 19.00 | 2.85 |
| Private Equity | 12.00 | 7.60 |
| Real Assets | 17.00 | 6.60 |
| Multi-Asset Strategies | 5.00 | 6.65 |
| Total | <u>100.00 %</u> | |

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

Sensitivity of the Council's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

| | 1% Decrease (1.63%) | Current Discount Rate (2.63%) | 1% Increase (3.63%) |
|------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------|
| Council's proportionate share of the net OPEB liability | \$ 3,542,310 | \$ 2,894,103 | \$ 2,378,779 |
| | 1% Decrease (6.00 % decreasing to 3.75 %) | Current Trend Rate (7.00 % decreasing to 4.75 %) | 1% Increase (8.00 % decreasing to 5.75 %) |
| Council's proportionate share of the net OPEB liability | \$ 2,278,886 | \$ 2,894,103 | \$ 3,716,805 |

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

| | July 1, 2020 | July 1, 2019 |
|--------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Inflation | 2.50% | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% | 0.00% |
| Discounted rate of return | 7.45% | 7.45% |
| Blended discount rate of return | N/A | N/A |
| Health care cost trends | | |
| Medical | | |
| Pre- Medicare | 5.00% Initial, 4.00% Ultimate | 5.87% Initial, 4.00% Ultimate |
| Medicare | -6.69% Initial, 4.00% Ultimate | 4.93% Initial, 4.00% Ultimate |
| Prescription Drug | | |
| Pre-Medicare | 6.50% Initial, 4.00% Ultimate | 7.73% Initial, 4.00% Ultimate |
| Medicare | 11.87% Initial, 4.00% Ultimate | 9.62% Initial, 4.00% Ultimate |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2019.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return *</u> |
|----------------------|------------------------------|-----------------------------------------------------|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | <u>1.00</u> | 2.25 |
| Total | <u><u>100.00 %</u></u> | |

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

Sensitivity of the Council's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|--------------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| Council's proportionate share of the net OPEB liability/(asset) | \$ (248,946) | \$ (286,124) | \$ (317,668) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--------------------------------------------------------------------|--------------|-----------------------|--------------|
| Council's proportionate share of the net OPEB liability/(asset) | \$ (315,710) | \$ (286,124) | \$ (250,084) |

NOTE 8 – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. The Council's investment portfolio and the pension and other employee benefits plan in which the Council participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Council's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020

| | |
|---------------------------|-------------------|
| Assets: | |
| <u>Current assets:</u> | |
| Cash | <u>\$ 226,992</u> |
| | |
| Net cash position: | |
| Unrestricted | <u>\$ 226,992</u> |

SEE ACCOMPANYING NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN NET CASH POSITION
FOR THE SIX MONTHS ENDED JUNE 30, 2020

Operating cash receipts:

| | |
|-------------------------------|------------------|
| Charges for services | \$ 4,377,127 |
| Total operating cash receipts | <u>4,377,127</u> |

| | |
|------------------------------------|------------------|
| Salaries | 3,412,313 |
| Fringe benefits | 681,446 |
| Purchased services | 158,992 |
| Materials and supplies | 681 |
| Other | 4,863 |
| Total operating cash disbursements | <u>4,258,295</u> |

| | |
|----------------------------------------------|---------|
| Excess of operating cash disbursements | |
| Operating loss / change in net cash position | 118,832 |

**Non-operating cash receipts
(disbursements):**

| | |
|-----------------|--------------|
| Interest income | <u>1,281</u> |
|-----------------|--------------|

| | |
|------------------------------|---------|
| Change in net cash position. | 120,113 |
|------------------------------|---------|

| | |
|---------------------------------------------------|----------------|
| Net Cash Position at beginning of year | <u>106,879</u> |
|---------------------------------------------------|----------------|

| | |
|-------------------------------------------|--------------------------|
| Net cash position at end of period | <u><u>\$ 226,992</u></u> |
|-------------------------------------------|--------------------------|

SEE ACCOMPANYING NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

**NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020**

NOTE 1 - DESCRIPTION OF THE COUNCIL

Effective July 15, 2013, the Mahoning Valley Regional Council of Government (the "Council") was formed pursuant to the provisions of Chapter 167 of the Ohio Revised Code (ORC). The Council was created as a regional council of governments by an Agreement between the Board of Education of the Mahoning County Educational Service Center ("MCESC"), the Board of Education of the Struthers City School District ("Struthers CSD") and the Board of Education of the Canfield Local School District ("Canfield LSD"). The MCESC, Struthers CSD and Canfield LSD are the Original Members of the Council. The Council was created to provide personnel and to deliver services to the Original Members and to other educational entities pursuant to the Agreement establishing the Council and subsequent By-Laws adopted pursuant to the Agreement.

The Council is governed by a Governing Board consisting of one elected member of the MCESC and one elected board member from the county to be chosen by appointment from the MCESC Board; the Struthers CSD Superintendent; the Canfield LSD Superintendent; and two at-large Superintendent representatives and one at-large Treasurer member, all positions shall be appointed by a majority of the Original Members.

The voting members of the Council shall be the Original Members. Other public bodies that enter Professional Services Agreements with the Council after the formation of the Council shall be associate members. Associate members shall receive notice of and may attend meetings of the Council but shall not be represented on the Governing Board and shall not vote.

The Council employs personnel to perform teaching and non-teaching services for the Original Members and other educational entities, and the Council provides for the assignment, reassignment, evaluation, discipline, compensation and fringe benefits for such personnel. The Council enters into service agreements with participating entities in which the entities agree to pay the Council a percentage of all personnel costs incurred by the Council required to perform the services desired.

The MCESC's Treasurer is the Fiscal Officer for the Council. The Council's management believes these cash-basis financial statements present all activities for which Council is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Council's accounting policies.

A. Basis of Presentation

The Council's basic financial statements consist of a statement of net position - cash basis and statement of cash receipts, cash disbursements and changes in net cash position.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

B. Basis of Accounting

The Council's financial statements are prepared using the cash basis of accounting. Under the cash basis of accounting, receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Operating receipts are those receipts that are generated directly from the primary activity of the Council. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Council. All receipts and disbursements not meeting these definitions are reported as non-operating.

C. Fund Accounting

The Council maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of the governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The Council uses an enterprise fund to account for its operations. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) 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 receipts, disbursements, and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. Cash

The Council maintains one depository account and one sweep account.

E. Budgetary Process

The Council is not bound by the budgetary laws prescribed by the ORC and, therefore, does not prepare an annual budget.

F. Unpaid Personal Leave

In certain circumstances, employees are entitled to cash payments for unused personal leave. Any unpaid personal leave is not reflected as a liability at June 30, 2020 under the basis of accounting used by the Council.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
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NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

G. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council had no restricted net cash position at fiscal year-end.

H. Employer Contributions to Cost-Sharing Pension Plans

The Council recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Note 6 and Note 7, the employer contributions include portions for pension benefits and for postemployment health care benefits.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the Council has implemented GASB Statement No. 84, "*Fiduciary Activities*", GASB Statement No. 90, "*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 16*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of GASB 84 did not have an effect on the financial statements of the Council.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statements also provides guidance for reporting a component unit if a government acquires 100% equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Council.

B. Fiscal Year

The Council has revised its fiscal year from a December 31 year-end to a June 20 year-end to coincide with the fiscal year of its members. As such, the Council has reported activity for a 6-month period ended June 30, 2020 in these financial statements.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS

At June 30, 2020, the carrying amount of the Council's deposits was \$226,992. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, \$250,000 of the Council's bank balance of \$301,616 was covered by the FDIC, which \$51,616 was covered by the Ohio Pooled Collateral System.

Custodial credit risk that, in the event of bank failure, the Council will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Council has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio Law requires that deposits either be insured or protected by (1) eligible securities pledged to the Council and deposited with a qualified trustee by the financial institution as security repayment whose fair value at all times shall be at least 105% of the deposits being secured, or (2) 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. The OPCS requires the total fair value of the securities to be 102% of the deposits being secured or a rate set by the Treasurer of State. For 2020, the Council's financial institution was approved for a reduced collateral rate of 102% through OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Council to a successful claim by the FDIC.

NOTE 5 - RISK MANAGEMENT

A. Liability Insurance

The Council is exposed to various risks of loss. During 2020, the Council has contracted with McGowan Governmental Underwriters to obtain liability insurance with coverage amounts of \$1,000,000 per occurrence and \$3,000,000 in aggregate insuring the Council's personnel against liability arising out of or connected with the provision of services.

Settled claims have not exceeded this commercial coverage in any of the past two years. There was no significant reduction in coverage from the prior year.

B. Workers' Compensation

For 2020, the Council paid the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 6 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the Council'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.

The Ohio Revised Code limits the Council's obligation for this liability to annually required payments. The Council cannot control benefit terms or the manner in which pensions are financed; however, the Council 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.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The Council non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Full benefits | Age 65 with 5 years of service credit; or Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0 percent. SERS also has the authority to award or suspend the COLA, or to adjust the COLA increase for 2018, 2019, and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state if a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10 %of their annual covered salary and the Council is required to contribute 14 %of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 %for plan members and 14 %for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14 percent.

The Council's contractually required contribution to SERS was \$346,522 for the six-month period ended June 30, 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The Council was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
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NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The Council's contractually required contribution to STRS was \$131,202 for the six-month period ended June 30, 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability was based on the Council's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|------------------------------------------------------------------|---------------------|--------------------|---------------|
| Proportion of the net pension liability prior measurement date | 0.14562751% | 0.02398508% | |
| Proportion of the net pension liability current measurement date | <u>0.14339740%</u> | <u>0.02483875%</u> | |
| Change in proportionate share | <u>-0.00223011%</u> | <u>0.00085367%</u> | |
| Proportionate share of the net pension liability | \$ 8,579,718 | \$ 5,492,940 | \$ 14,072,658 |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, 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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

| | |
|----------------------------------------------|-------------------------------------------------------|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| COLA or ad hoc COLA | 2.50 percent |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---------------------------------------------------|
| Cash | 1.00 % | 0.50 % |
| US Equity | 22.50 | 4.75 |
| International Equity | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Assets | 15.00 | 5.00 |
| Multi-Asset Strategies | <u>10.00</u> | 3.00 |
| Total | <u><u>100.00 %</u></u> | |

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| Council's proportionate share of the net pension liability | \$ 12,023,252 | \$ 8,759,718 | \$ 5,691,884 |

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2017 are presented below:

| | July 1, 2019 |
|--------------------------------------|-----------------------------------------------------------|
| Inflation | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3% |
| Cost-of-living adjustments (COLA) | 0.00% |

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
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NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (CONTINUED)

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation*</u> | <u>Long Term Expected Real Rate of Return **</u> |
|----------------------|-------------------------------|------------------------------------------------------|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | <u>1.00</u> | 2.25 |
| Total | <u><u>100.00 %</u></u> | |

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Council's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| Council's proportionate share of the net pension liability | \$ 8,027,320 | \$ 5,492,940 | \$ 3,347,458 |

NOTE 7 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability/asset reported on the statement of net position represents a liability/ asset 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 Council'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.

The Ohio Revised Code limits the Council's obligation for this liability to annually required payments. The Council cannot control benefit terms or the manner in which OPEB are financed; however, the Council 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.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
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NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Council contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For the 6-month period ended June 30, 2020, the Council did not have a surcharge obligation.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 7 - DEFINED BENEFIT OPEB PLANS - (CONTINUED)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 %of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/(asset)

The net OPEB liability/(asset) was measured as of June 30, 2019, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The Council's proportion of the net OPEB liability/(asset) was based on the Council's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------------------------------------------------|--------------------|--------------------|--------------|
| Proportion of the net OPEB liability/(asset) prior measurement date | 0.14562751% | 0.02398508% | |
| Proportion of the net OPEB liability/(asset) current measurement date | <u>0.14591200%</u> | <u>0.02483875%</u> | |
| Change in proportionate share | <u>0.00028449%</u> | <u>0.00085367%</u> | |
| Proportionate share of the net OPEB liability/(asset) | \$ 3,669,380 | \$ (411,389) | \$ 3,257,991 |

Actuarial Assumptions - SERS

The total OPEB liability/asset is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 7 - DEFINED BENEFIT OPEB PLANS - (CONTINUED)

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability/asset in the latest actuarial valuation date of June 30, 2019, are presented below:

| | |
|------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 3.13% |
| Prior measurement date | 3.62% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 3.22% |
| Prior measurement date | 3.70% |
| Medical trend assumption: | |
| Medicare | 5.25% to 4.75% |
| Pre-Medicare | 7.00% to 4.75% |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 7 - DEFINED BENEFIT OPEB PLANS - (CONTINUED)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---------------------------------------------------|
| Cash | 1.00 % | 0.50 % |
| US Stocks | 22.50 | 4.75 |
| Non-US Stocks | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Assets | 15.00 | 5.00 |
| Multi-Asset Strategies | 10.00 | 3.00 |
| Total | <u>100.00 %</u> | |

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 7 - DEFINED BENEFIT OPEB PLANS - (CONTINUED)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Council's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

| | 1% Decrease (2.22%) | Current Discount Rate (3.22%) | 1% Increase (4.22%) |
|------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| Council's proportionate share of the net OPEB liability | \$ 4,453,931 | \$ 3,669,380 | \$ 3,045,570 |

| | 1% Decrease (6.00 % decreasing to 3.75 %) | Current Trend Rate (7.00 % decreasing to 4.75 %) | 1% Increase (8.00 % decreasing to 5.75 %) |
|------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------|
| Council's proportionate share of the net OPEB liability | \$ 2,939,917 | \$ 3,669,380 | \$ 4,637,201 |

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 7 - DEFINED BENEFIT OPEB PLANS - (CONTINUED)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

| | July 1, 2019 | July 1, 2018 |
|--------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Inflation | 2.50% | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% | 0.00% |
| Discounted rate of return | 7.45% | 7.45% |
| Blended discount rate of return | N/A | N/A |
| Health care cost trends | | |
| Medical | | |
| Pre- Medicare | 5.87% Initial, 4.00% Ultimate | 6.00% Initial, 4.00% Ultimate |
| Medicare | 4.93% Initial, 4.00% Ultimate | 5.00% Initial, 4.00% Ultimate |
| Prescription Drug | | |
| Pre-Medicare | 7.73% Initial, 4.00% Ultimate | 8.00% Initial, 4.00% Ultimate |
| Medicare | 9.62% Initial, 4.00% Ultimate | -5.23% Initial, 4.00% Ultimate |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 7 - DEFINED BENEFIT OPEB PLANS - (CONTINUED)

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation*</u> | <u>Long Term Expected Real Rate of Return **</u> |
|----------------------|-------------------------------|------------------------------------------------------|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | <u>1.00</u> | 2.25 |
| Total | <u><u>100.00 %</u></u> | |

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENT
MAHONING COUNTY, OHIO**

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2020

NOTE 7 - DEFINED BENEFIT OPEB PLANS - (CONTINUED)

Sensitivity of the Council's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability/(asset) as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability/(asset) as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|--------------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| Council's proportionate share of the net OPEB liability/(asset) | \$ (351,039) | \$ (411,389) | \$ (462,130) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--------------------------------------------------------------------|--------------|-----------------------|--------------|
| Council's proportionate share of the net OPEB liability/(asset) | \$ (466,497) | \$ (411,389) | \$ (343,896) |

NOTE 8 - SUBSEQUENT EVENTS

The United State and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Council. The impact on the Council's future operating costs, revenues, and recovery from emergency funding, either federal or state, cannot be estimated.



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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**

March 31, 2022

Mahoning Valley Regional Council of Governments
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Council Members:

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 cash-basis financial statements of the Mahoning Valley Regional Council of Governments, Mahoning County, Ohio (the Council) as of and for the year ended June 30, 2021 and the six months ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Council’s basic financial statements and have issued our report thereon dated March 31, 2022, wherein we noted the Council uses a special purpose framework other than generally accepted accounting principles. We also noted the Council changed its year end date from December 31 to June 30.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council’s internal control over financial reporting (internal control) as a basis for designing 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 Council’s internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2021-001 to be a material weakness.

Tax - Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll – Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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Compliance and Other Matters

As part of reasonably assuring whether the Council'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 financial statement. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2021-001.

Council's Response to Findings

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

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY, OHIO**

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2021-2020

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

FINDING NUMBER 2021-001

Material Weakness / Noncompliance

Unremitted Payroll Withholdings

Ohio Revised Code Section 3309.51 states that each employer shall pay into the employers' trust fund, monthly or at such times as the school employees retirement board requires, an amount certified by the school employees retirement board. The penalty for late filing of the School Employee Retirement System (SERS) withholding is \$100 per day.

In June of 2021, the Council remitted payment to the School Employee Retirement System in the amount of \$400 related to penalties for late SERS contributions in December of 2020. The penalties assessed against the Council could have been avoided had the Council timely remitted its employee retirement contributions; as such, these expenditures do not serve a proper public purpose. The Council's Treasurer was responsible for remitting withholding payments during the time period these fees were incurred.

We recommend that the Treasurer and Council Members ensure that all payroll withholdings are remitted in full on a timely basis. We also recommend that the Council review its procedures for monitoring of payroll cycle activity to ensure that all payroll activity is properly accounted for and that the Council is in compliance with regulations governing the withholding and remitting of employment taxes and pension contributions.

Officials' Response: This penalty was for the 12/15/20 pay date. Both my payroll person, Sandy Marsh and myself followed up to have the penalty waived. SERS would not reverse the penalty, which we ultimately felt was unfair. This penalty occurred during a time of the pandemic when the US postal service was a mess. We indicated to SERS that the check was actually mailed one day prior (12/14) to the payroll date (12/15) and that we felt the delay in SERS receiving the payment was out of our control.

The other concerning part of this penalty is that SERS claims our 4 checks were 1 day late and thus the penalty assessed is \$400.00. However, the Council of Governments only issued 2 checks for the 12/15/20 payment. How SERS calculated the \$400.00 amount appears to be problematic.

Our remedy to this issue was to quickly switch to the ACH payment option beginning the next month, January 2021. Since that switch to ACH we have had no issues with SERS payments.

**MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|---------------------------------|---------------|------------------------------|
| 2019-001 | Unremitted Payroll Withholdings | Not Corrected | Repeated in Finding 2021-001 |

OHIO AUDITOR OF STATE KEITH FABER



MAHONING VALLEY REGIONAL COUNCIL OF GOVERNMENTS

MAHONING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/12/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov