

**Wooster-Ashland Regional Council of Governments  
Wayne County, Ohio**

Basic Financial Statements – Cash Basis  
December 31, 2017  
with Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Directors  
Wooster Ashland Regional Council of Governments  
538 North Market Street  
Wooster, Ohio 44691

We have reviewed the *Independent Auditors' Report* of the Wooster Ashland Regional Council of Governments, Wayne County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2017 through December 31, 2017. 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 Wooster Ashland Regional Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 31, 2018

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Wooster-Ashland Regional Council of Governments  
538 North Market Street  
Wooster, Ohio 44691

### Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the Wooster-Ashland Regional Council of Governments (the Council) as of and for the year ended December 31, 2017, 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 the preparation and fair presentation of 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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the Wooster-Ashland Regional Council of Governments as of December 31, 2017, and the change in cash financial position for the year 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 accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Council's basic financial statements. The Management's Discussion and Analysis (pages 3-9) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's 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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
June 25, 2018



**Wooster-Ashland Regional Council of Governments**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 30, 2017*

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The following report reflects on the financial condition of the Wooster-Ashland Regional Council of Governments (the Council) for the year ended December 31, 2017. Within the limitations of the Council's cash basis of accounting, this information is provided to enhance the information in the financial statements and the corresponding notes and should be reviewed in concert with the report.

***Financial Highlights***

Key financial highlights for fiscal year 2017 are as follows:

- Total operating receipts were \$1,409,954, representing contributions from three members during fiscal year 2017.
- Total operating disbursements were \$1,513,510, with salaries and benefits representing 73 percent at \$1,099,542.

***Using this Annual Report***

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Council's cash basis of accounting. This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Council's activities. The *Statement of Net Position – Cash Basis* and the *Statement of Receipts, Disbursements, and Change in Net Position – Cash Basis* provide information about the activities of the Council.

***Reporting the Council's Financial Activities***

***Statement of Net Position – Cash Basis and Statement of Receipts, Disbursements, and Change in Net Position – Cash Basis***

These statements look at all financial transactions and ask the question, "How did we do financially during 2017?" The Statement of Net Position – Cash Basis and the Statement of Receipts, Disbursements, and Change in Net Position - Cash Basis answer these questions.

These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the cash actually received or paid within the current year. These statements report the Council's net position and changes in that position on a cash basis. This change in net position is important because it tells the reader that, for the Council as a whole, the cash basis financial position of the Council has improved or diminished.

**Wooster-Ashland Regional Council of Governments**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 30, 2017*

As a result of the use of the cash basis of accounting, certain assets and deferred outflows of resources and their related receipts (such as accounts receivable) and liabilities and deferred inflows of resources and their related disbursements (such as claims payable) are not recorded in these cash basis financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The table below provides a summary of the Council's net position at December 31, 2017 and 2016.

**Table 1**  
**Net Position - Cash Basis**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Equity in Pooled Cash & Cash Equivalents	\$ 84,360	\$ 3,301
Total Assets	84,360	3,301
<b>Net Position</b>		
Unrestricted	84,360	3,301
Total Net Position	\$ 84,360	\$ 3,301

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the Council's net position totaled \$84,360. The increase in cash can be attributed to an increase in charges for services and a decrease in capital outlay due to completion of projects and purchase of equipment.

The table below shows the change in net position for the years ending December 31, 2017 and December 31, 2016. This will enable the reader to draw further conclusions about the Council's financial status.

**Wooster-Ashland Regional Council of Governments**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 30, 2017*

**Table 2**  
**Changes in Net Position - Cash Basis**

	<b>2017</b>	<b>2016</b>
Total Operating Receipts	\$ 1,409,954	\$ 1,126,678
Total Operating Disbursements	1,513,510	1,708,919
Operating Income (Loss)	(103,556)	(582,241)
Total Non-Operating Receipts/Disbursements	184,615	45,000
Change in Net Position	81,059	(537,241)
Net Position Beginning of Year	3,301	540,542
Net Position End of Year	\$ 84,360	\$ 3,301

The increase of \$283,276 in operating receipts is primarily due to an increase to services provided to each member.

The decrease of \$195,409 in operating disbursements is primarily due to a decrease of \$864,036 in capital outlay as all building projects and equipment have been purchased. This was offset by an increase of \$454,560 in salaries and benefits due to an increase in staffing.

The increase in non-operating receipts/disbursements was due to insurance proceeds for a data breach.

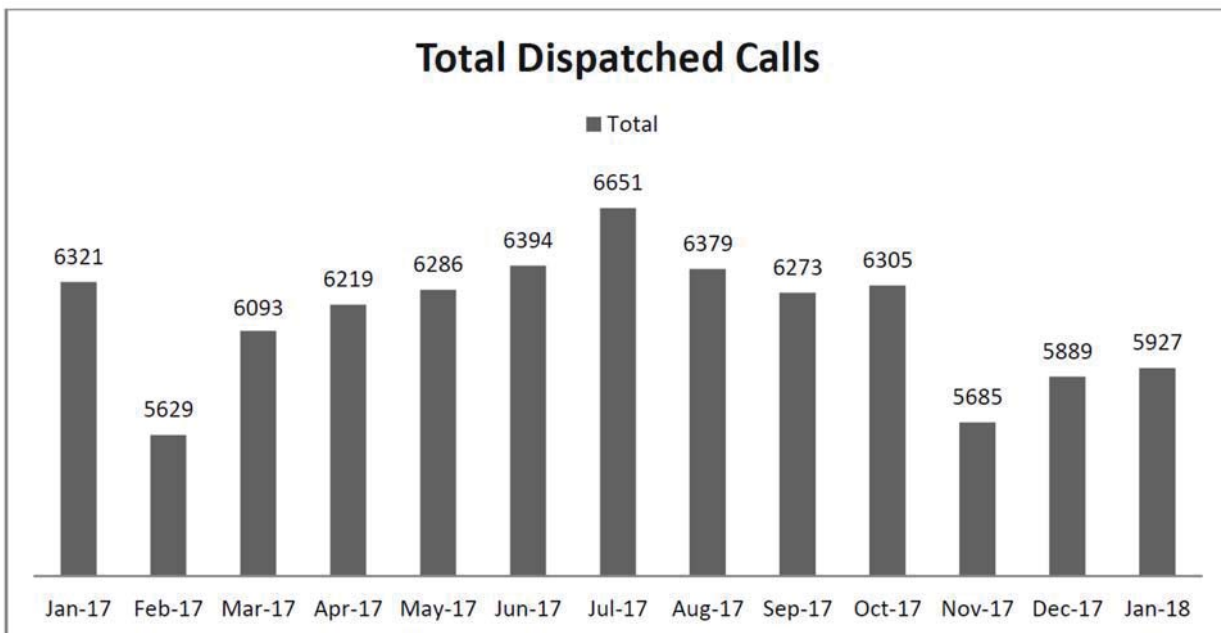
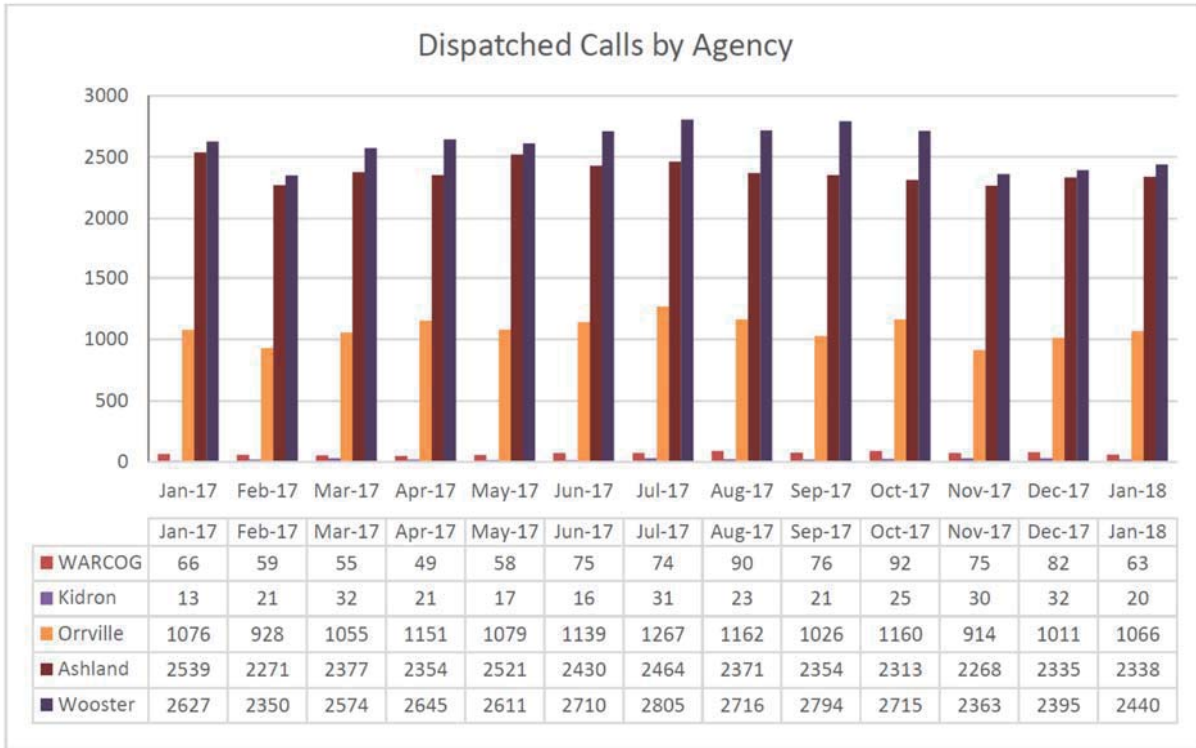
***Current Financial Related Activities***

The Council charges the costs of operations to the City of Wooster, City of Orrville, and the City of Ashland. The Council relies on these charges to continue operations of a joint dispatching system for police, fire, emergency medical services and other related public safety services within the Council Area. It is the intent of the Council to apply for federal, State and local funds that are made available to finance its operations.

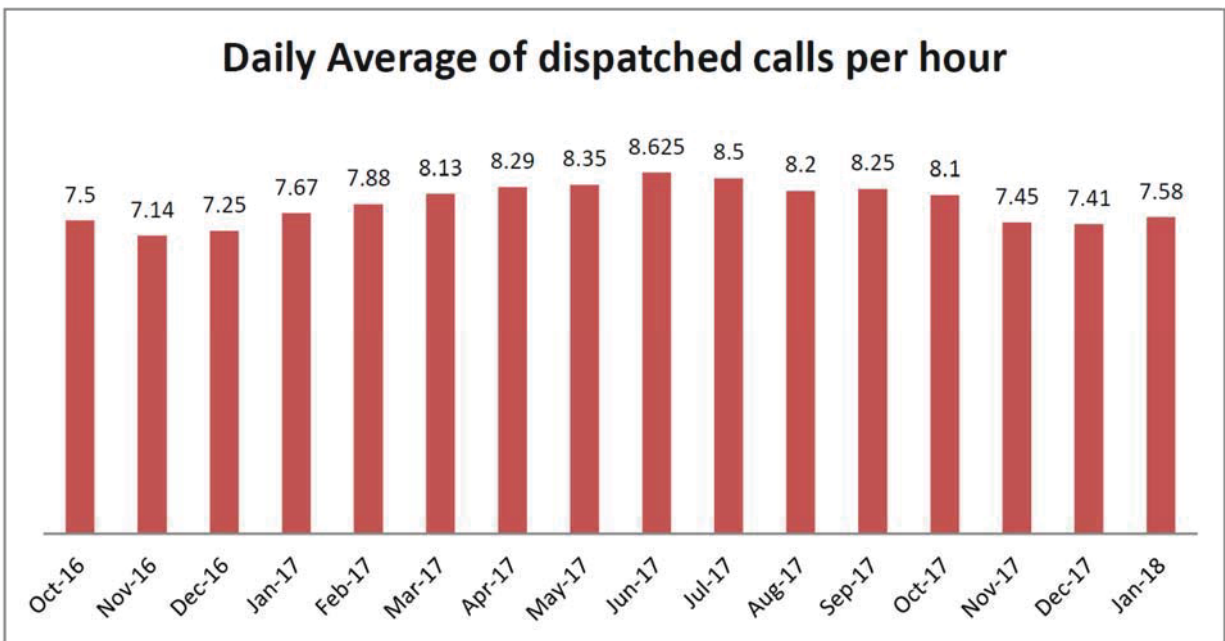
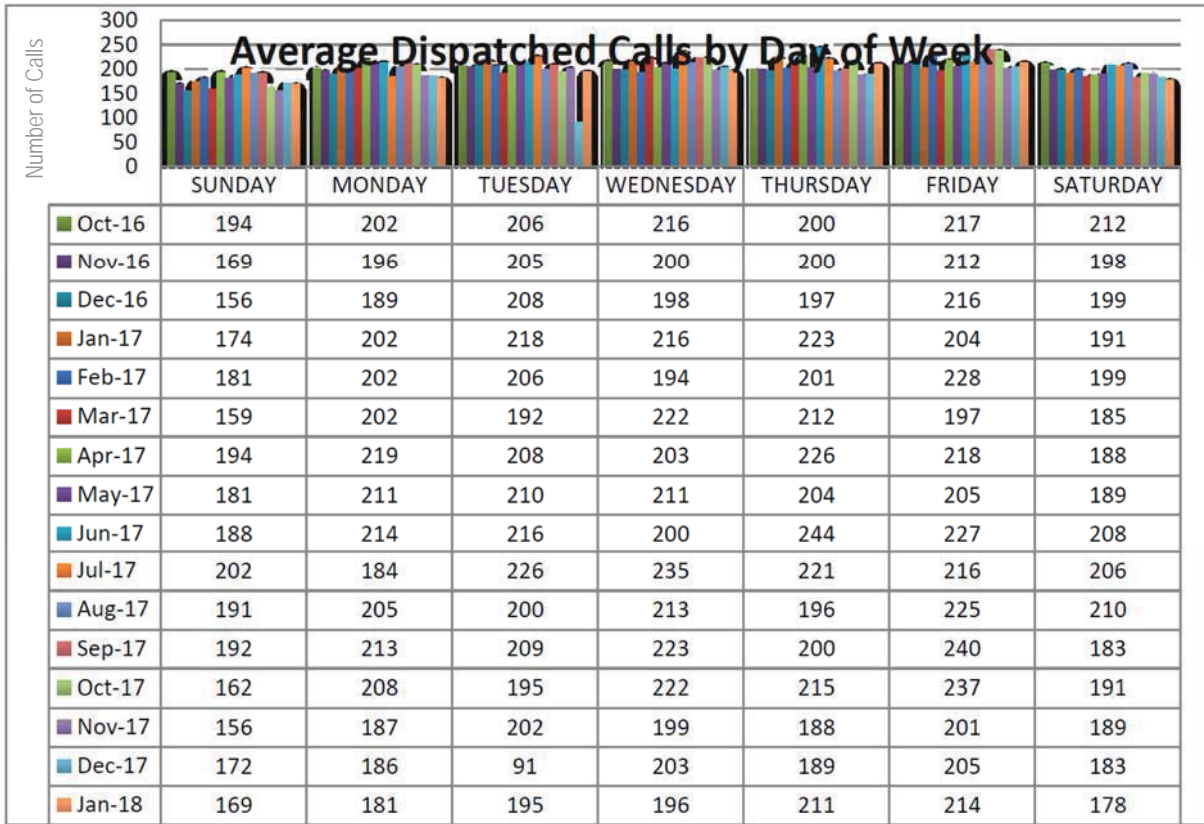
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**Wooster-Ashland Regional Council of Governments**  
**Wayne County, Ohio**  
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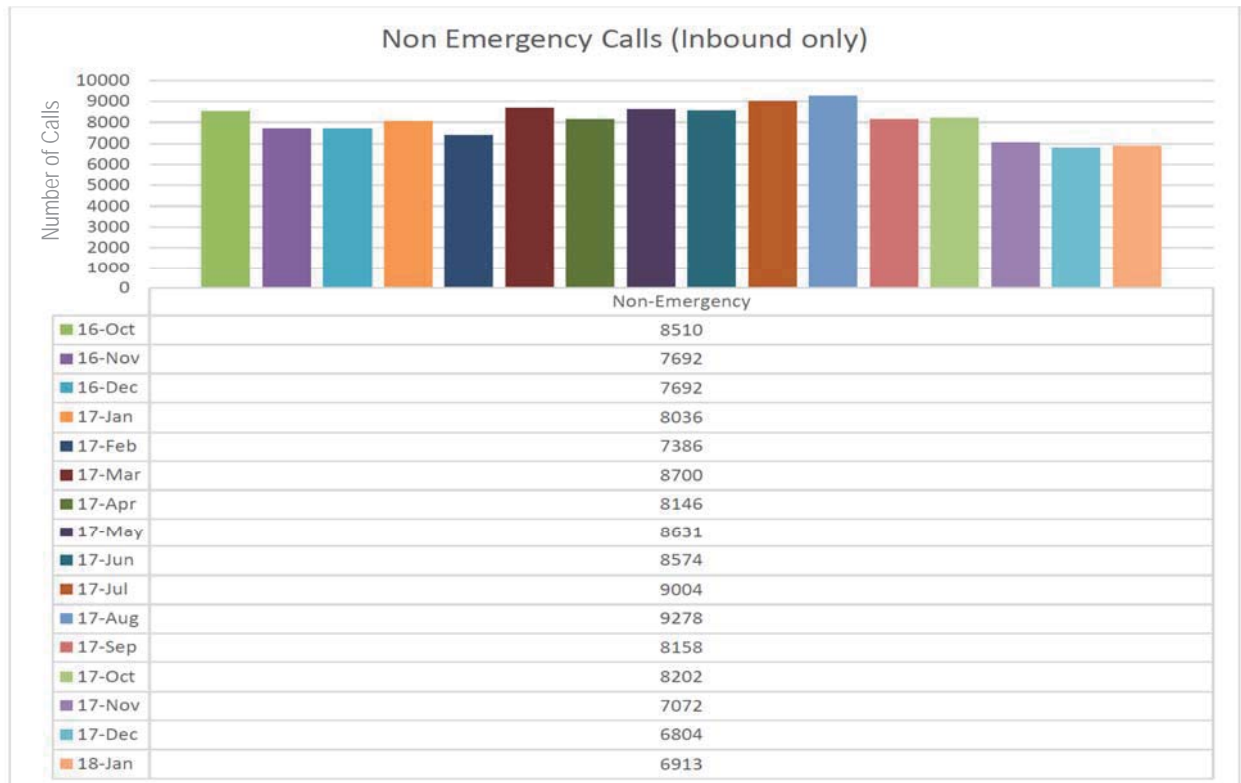
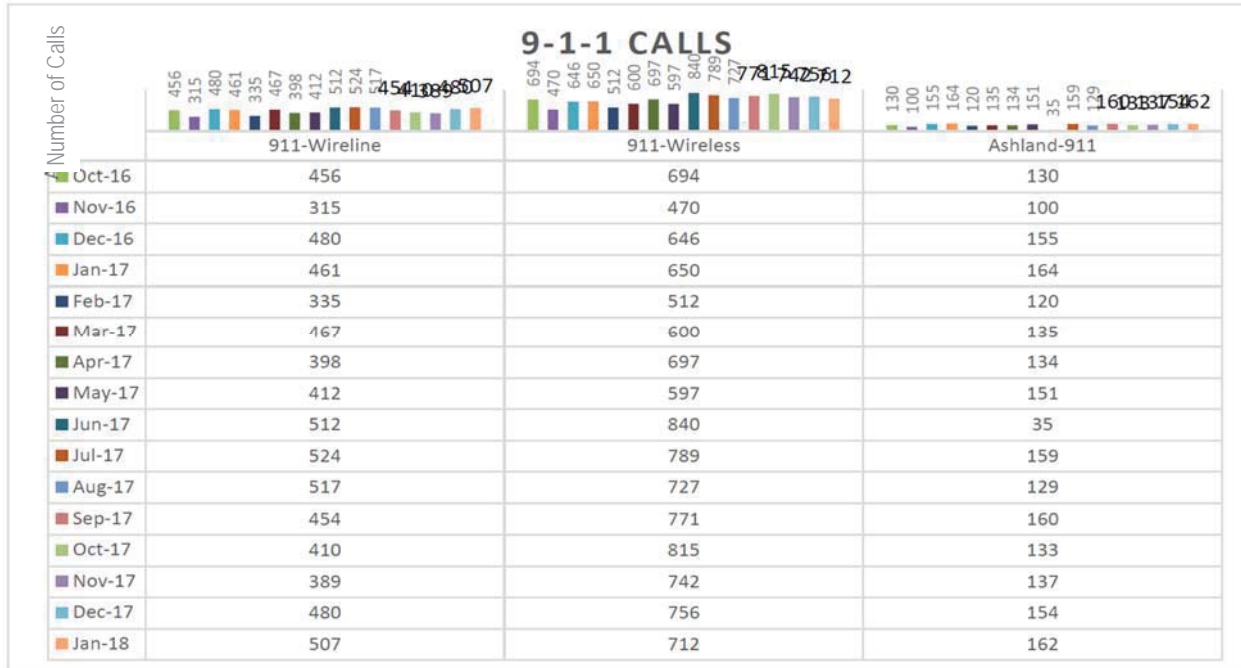
**Dispatch Call Statistics**



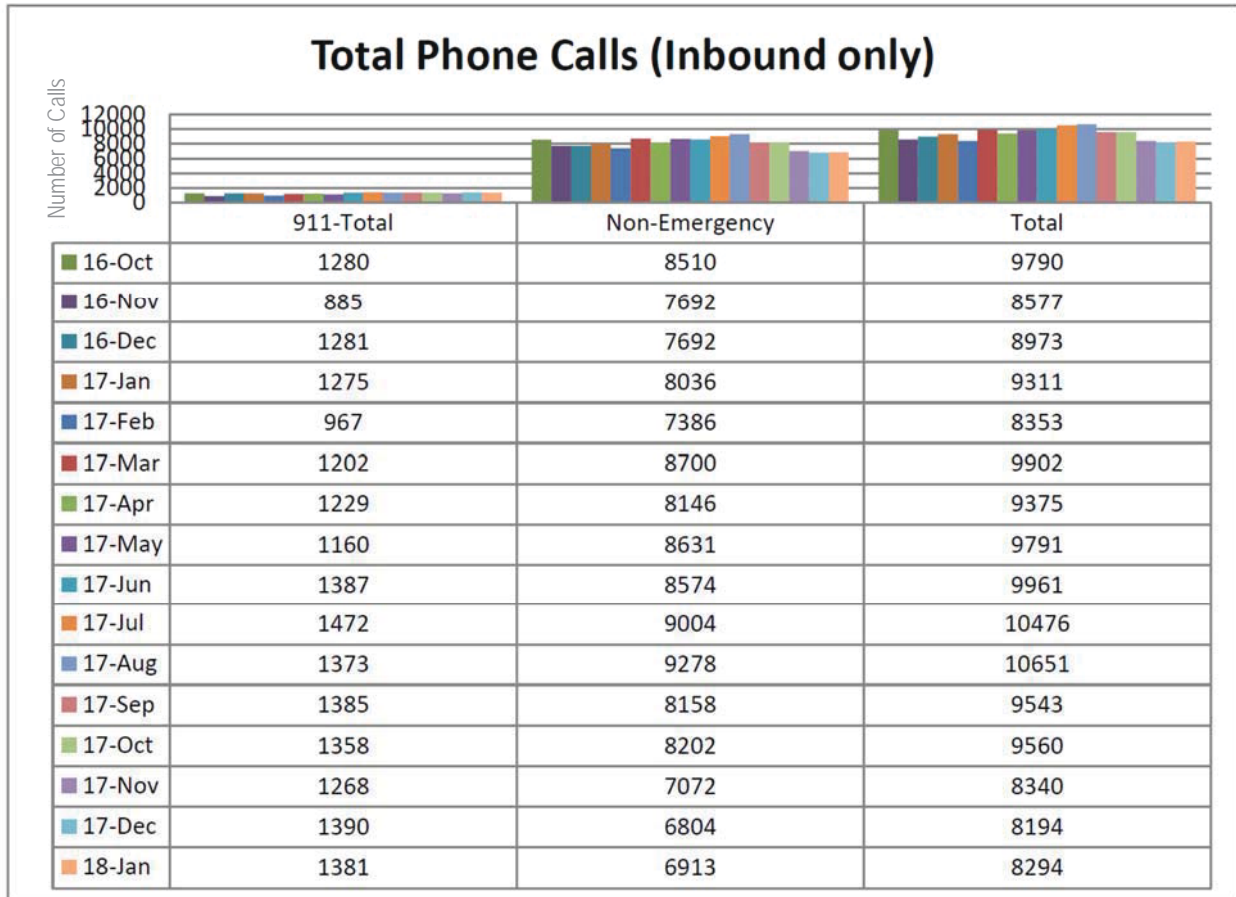
**Wooster-Ashland Regional Council of Governments**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 30, 2017*



**Wooster-Ashland Regional Council of Governments**  
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**Wooster-Ashland Regional Council of Governments**  
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***Contacting the Council's Financial Management***

This financial report is designed to provide our member districts and citizens with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Andrei Dordea, Treasurer, 538 North Market Street, Wooster, Ohio 44691.

**Wooster-Ashland Regional Council of Governments**  
**Wayne County, Ohio**  
*Statement of Net Position - Cash Basis*  
*December 31, 2017*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 84,360
<i>Total Assets</i>	<u>84,360</u>
<b>Net Position</b>	
Unrestricted	<u>84,360</u>
<i>Total Net Position</i>	<u><u>\$ 84,360</u></u>

See accompanying notes to the financial statements.



**Wooster-Ashland Regional Council of Governments**  
**Wayne County, Ohio**

*Statement of Receipts, Disbursements and Changes in Net Position - Cash Basis*  
*For the Year Ended December 31, 2017*

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<b>Operating Receipts:</b>	
Charges for Services	\$ 1,384,628
Other	25,326
	<hr/>
<i>Total Operating Receipts</i>	<i>1,409,954</i>
	<hr/>
<b>Operating Disbursements:</b>	
Salaries	737,202
Employee Benefits	362,340
Purchased Services	310,289
Materials and Supplies	16,228
Other	3,263
Capital Outlay	84,188
	<hr/>
<i>Total Operating Disbursements</i>	<i>1,513,510</i>
	<hr/>
<i>Operating Income (Loss)</i>	<i>(103,556)</i>
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<b>Non-Operating Receipts (Disbursements)</b>	
Federal and State Grants	26,107
Insurance Proceeds	158,508
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<i>Total Non-Operating Receipts/(Disbursements)</i>	<i>184,615</i>
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<i>Change in Net Position</i>	<i>81,059</i>
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<i>Net Position Beginning of Year</i>	<i>3,301</i>
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<i>Net Position End of Year</i>	<i>\$ 84,360</i>
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See accompanying notes to the financial statements.

**Wooster-Ashland Regional Council of Governments**

**Wayne County, Ohio**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 1 – Description of Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Wooster-Ashland Regional Council of Governments, Wayne County, Ohio (the Council) as a body corporate and politic. The Council operates in accordance with a written agreement establishing the Council pursuant to Ohio Revised Code Chapter 167. A 13 member Board of Directors governs the Council. 1 public official from each founding member (3 members); 3 additional appointed by each founding member (9 members); 1 additional rotated between the founding members (1 member). Those subdivisions are the City of Wooster, City of Orrville, and City of Ashland. The Council provides police and fire dispatch service within the Council region.

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

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

***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 government entities in which legal or other restraints require the recording of specific receipts and disbursements. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of receipts and/or disbursements paid are appropriate for public policy, management control, accountability or other purposes.

***Basis of Presentation***

The Council's basic financial statements consist of a Statement of Net Position - Cash Basis and a Statement of Receipts, Disbursements and Changes in Net Position – Cash Basis.

***Basis of Accounting***

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.

***Budgetary Process***

The Ohio Revised Code does not require the Council to budget annually. However, the Articles of Agreement require an annual budget be approved by the Board of Directors and shall determine the charges to be assessed against the members for each budget year.

**Wooster-Ashland Regional Council of Governments**

**Wayne County, Ohio**

*Notes to the Financial Statements  
For the Year Ended December 31, 2017*

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***Cash and Cash Equivalents***

Cash balances for the Council are held by the City of Wooster, which serves as fiscal agent. Equity in Pooled Cash and Cash Equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments held at December 31, 2017, with original maturities greater than one year are stated at cost. The Council has no investments.

***Inventory and Prepaid Items***

The Council reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements

***Property, Plant and Equipment***

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Council's basis of accounting.

***Net Position***

Equity is classified as net position and is displayed in separate components. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Council applies restricted resources first when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

***Pensions***

For purposes of measuring the net pension liability, 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. Net pension liability is not reported under the Council's basis of accounting.

**Wooster-Ashland Regional Council of Governments**

**Wayne County, Ohio**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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***Operating Receipts and Disbursements***

The Council distinguishes operating receipts and disbursements from non-operating items. Operating receipts generally result from charges assessed to member districts. Operating expenses for the Council include the cost of providing these services, including administrative expenses. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**Note 3 – Deposits and Investments**

The City of Wooster maintains a cash pool used by all of the City's funds, including the agency fund used to account for the Council's financial activity. At year-end, the carrying amount of the Council's deposits with the City of Wooster was \$84,360. The City is responsible for maintaining adequate depository collateral for all bank deposits within the cash pool.

**Note 4 – Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension liability 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.

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.

**Wooster-Ashland Regional Council of Governments**

**Wayne County, Ohio**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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

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

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

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

**Wooster-Ashland Regional Council of Governments**  
**Wayne County, Ohio**

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

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

	State and Local
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.00 %
Employee	10.00 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.00 %
Post-employment Health Care Benefits	1.00
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Council's contractually required contribution was \$89,350 for 2017.

***Net Pension Liability***

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	\$ 725,196
Proportion of the Net Pension Liability:	
Current Measurement Period	0.00319353%
Prior Measurement Period	0.00021600%
Change in Proportionate Share	0.00297753%

**Wooster-Ashland Regional Council of Governments**  
**Wayne County, Ohio**  
*Notes to the Financial Statements*  
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***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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

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

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

**Wooster-Ashland Regional Council of Governments**

**Wayne County, Ohio**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

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



**Wooster-Ashland Regional Council of Governments**  
**Wayne County, Ohio**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

***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 7.50 percent, 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 (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Council's proportionate share of the net pension liability:	\$ 1,107,899	\$ 725,196	\$ 406,281

**Note 5 – Post Employment Benefits**

***Ohio Public Employees Retirement System***

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

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

In order to qualify for health care coverage, age-and-service retirees under the traditional and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.

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

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

**Wooster-Ashland Regional Council of Governments**

**Wayne County, Ohio**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Substantially all of the Council's contributions allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 were \$6,873, \$4,128, and \$0 respectively. The full amount has been contributed for all three years.

**Note 6 - Risk Management**

The Council is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended December 31, 2017, the Council obtained commercial insurance to address these risks.

**Note 7 – Fiscal Agent**

The City of Wooster performs financial management services, most human resource, information technology, and legal services. Commencing in July 2017, the Council began reimbursing the City in the amount of \$5,970 per month for these services. The Director of Finance for the City is the Treasurer of the Council as elected by the Council's Board of Trustees.

**Note 8 - Contingent Liabilities**

The Council is not party to any claims or lawsuits that would, in the Council's opinion, have a material effect on the financial statements.

During 2017, the Council experienced a breach of data. Remedial steps were taken to notify those impacted or potentially impacted by the data breach, and they were offered one year's subscription for credit monitoring services. Any future liabilities cannot be reasonably estimated.

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

Board of Directors  
Wooster-Ashland Regional Council of Governments  
538 North Market Street  
Wooster, Ohio 44691

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Wooster-Ashland Regional Council of Governments (the Council), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated June 25, 2018, wherein we noted the Council prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
June 25, 2018



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# Dave Yost • Auditor of State

**WOOSTER – ASHLAND REGIONAL COUNCIL OF GOVERNMENTS**

**WAYNE COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 14, 2018**