

**STARK COUNTY SCHOOLS
COUNCIL OF GOVERNMENTS**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2017***

JAMES CARMAN, TREASURER



Dave Yost • Auditor of State

Board of Directors
Stark County Schools Council of Governments
2100 38th Street NW
Canton, Ohio 44709

We have reviewed the *Independent Auditor's Report* of the Stark County Schools Council of Governments, Stark County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 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 Stark County Schools 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

March 21, 2018

This page intentionally left blank.

**STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
STARK COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 6
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements.....	10 - 30
Required Supplementary Information:	
Three-Year Loss Development Information.....	33 - 34
Schedule of the Council’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	35
State Teachers Retirement System (STRS) of Ohio	36
Schedule of Council Contributions:	
School Employees Retirement System (SERS) of Ohio	37
State Teachers Retirement System (STRS) of Ohio	38
Notes to the Required Supplementary Information	39
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	40 - 41

This page intentionally left blank.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Stark County Schools Council of Governments
Stark County
2100 38th Street NW
Canton, Ohio 44709

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Stark County Schools Council of Governments, Stark County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Stark County Schools Council of Governments' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Stark County Schools Council of Governments' 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 Stark County Schools Council of Governments' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stark County Schools Council of Governments, Stark County as of June 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, during the fiscal year ended June 30, 2017, the Stark County Schools Council of Governments has presented, for the first time, its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, three-year loss development information, and schedules of net pension liability and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018, on our consideration of the Stark County Schools Council of Governments' 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 Stark County Schools Council of Governments' internal control over financial reporting and compliance.



Julian & Grube, Inc.
January 11, 2018

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (UNAUDITED)

The management's discussion and analysis of the Stark County Schools Council of Governments' (the "Council") financial performance provides an overall review of the Council's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position was \$96,536,582 at June 30, 2017. This represents a decrease of \$8,325,733, or 7.94%, from June 30, 2016's restated net position.
- The Council had operating revenues of \$231,384,409 and operating expenses of \$240,073,316 for fiscal year 2017. The Council had \$363,174 in interest revenue earned on the Council's investments. Operating loss and the decrease in net position for the fiscal year was \$8,688,907 and \$8,325,733, respectively.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council's financial activities. The *statement of net position* and *statement of revenues, expenses, and changes in net position* provide information about the activities of the Council, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about cash provided by or used in various activities of the Council.

Reporting the Council's Financial Activities

Statement of net position, statement of revenues, expenses, and changes in net position and the statement of cash flows

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Council's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Council as a whole, the *financial position* of the Council has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Council's statement of net position and statement of revenues, expenses, and changes in net position can be found on pages 7-8 of this report.

The statement of cash flows provides information about how the Council finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-29 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning loss development information and the Council's net pension liability, which can be found on pages 32-38 of this report.

The table below provides a summary of the Council's net position for at June 30, 2017. This is the Council's first year for using the accrual basis of accounting; therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

Net Position	
	<u>2017</u>
<u>Assets:</u>	
Cash and cash equivalents with fiscal agent	\$ 43,662,482
Investments with fiscal agent	70,880,796
Receivables (net of allowance for uncollectibles):	
Accounts	5,858,706
Accrued interest	<u>218,073</u>
Total assets	<u>120,620,057</u>
<u>Deferred outflows of resources</u>	<u>943,445</u>
<u>Liabilities:</u>	
Current liabilities:	
Claims payable	22,236,000
Other amounts	1,692,215
Long-term liabilities:	
Net pension liability	<u>1,098,705</u>
Total liabilities	<u>25,026,920</u>
<u>Net position:</u>	
Unrestricted	<u>96,536,582</u>
Total net position	<u>\$ 96,536,582</u>

Net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the Council's net position totaled \$96,536,582.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The table below shows the changes in net position for fiscal year 2017. This is the Council's first year for using the accrual basis of accounting; therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

Change in Net Position

	<u>2017</u>
<u>Operating revenues:</u>	
Health benefit premium deposits	\$ 217,648,407
Rebates	9,162,298
Other	<u>4,573,704</u>
Total operating revenue	<u>231,384,409</u>
<u>Operating expenses:</u>	
Medical claims	223,797,893
Purchased services	12,330,786
Other	<u>3,944,637</u>
Total operating expenses	<u>240,073,316</u>
Operating loss	<u>(8,688,907)</u>
<u>Nonoperating revenues:</u>	
Interest revenue	<u>363,174</u>
Total nonoperating revenues	<u>363,174</u>
Change in net position	<u>(8,325,733)</u>
Net position, July 1 (restated)	<u>104,862,315</u>
Net position, June 30	<u>\$ 96,536,582</u>

The increase in operating receipts and disbursements can be attributed to primarily one reason. The number of the members of the Council increased from 93 to 105 during fiscal year 2017.

Interest receipts increased in fiscal year 2017 because of slightly higher interest rates on investments and more cash invested.

Current Financial Related Activities

The Council is a shared risk pool, formed to carry out a cooperative program for the provision and administration of health care benefits for members. The Council is constantly assessing insurance needs of its members and acting to provide these services cost-effectively.

The Council receives an actuarial opinion statement annually assessing the claims liability of the Council.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Contacting the Council's Financial Management

This financial report is designed to provide our clients and creditors 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. James Carman, Treasurer, Stark County ESC, 2100 38th Street NW, Canton, Ohio 44709-2300 or by calling (330) 492-8136.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION
JUNE 30, 2017

Assets:	
Cash and cash equivalents with fiscal agent.	\$ 43,662,482
Investments with fiscal agent	70,880,796
Receivables:	
Accounts	5,858,706
Accrued interest.	218,073
Total assets	<u>120,620,057</u>
 Deferred outflows of resources:	
Pension - STRS	648,966
Pension - SERS	294,479
Total deferred outflows of resources.	<u>943,445</u>
 Liabilities:	
Current liabilities:	
Accounts payable.	19,179
Accrued wages and benefits	28,804
Pension and postemployment benefits payable.	7,949
Intergovernmental payable	460,551
Claims payable	22,236,000
Unearned revenue	1,175,732
Total current liabilities	<u>23,928,215</u>
Non-current liabilities:	
Net pension liability.	1,098,705
Total liabilities	<u>25,026,920</u>
 Net position:	
Unrestricted.	<u>96,536,582</u>
Total net position	<u>\$ 96,536,582</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating revenues:	
Health benefit premium deposits	\$ 217,648,407
COBRA deposits	304,811
Flex Pro plan deposits.	3,462,834
Rebates	9,162,298
Salary reimbursement	656,777
Other	149,282
Total operating revenues	<u>231,384,409</u>
 Operating expenses:	
Medical claims	223,797,893
Life insurance.	1,749,885
Purchased services	12,330,786
Supplies.	1,301
PCORI and reinsurance fees	1,177,836
Salaries and wages.	550,621
Fringe benefits.	381,871
Other	83,123
Total operating expenses.	<u>240,073,316</u>
 Operating loss.	 <u>(8,688,907)</u>
 Non-operating receipts:	
Interest revenue	<u>363,174</u>
 Change in net position	 (8,325,733)
 Net position at beginning of year (restated) .	 <u>104,862,315</u>
 Net position at end of year	 <u>\$ 96,536,582</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:	
Cash received from health benefit premium deposits.	\$ 218,579,269
Cash received from COBRA deposits.	304,811
Cash received from Flex Pro plan deposits.	3,514,069
Cash received from rebates.	8,340,616
Cash received from salary reimbursements	768,346
Cash received from other operations	97,282
Cash payments for medical claims.	(221,417,893)
Cash payments for life insurance premiums.	(1,749,885)
Cash payments for salaries, wages and benefits.	(711,367)
Cash payments for purchased services	(12,345,266)
Cash payments for materials and supplies	(1,301)
Cash payments for PCORI and reinsurance	(1,261,530)
Cash payments for other purposes	<u>(84,317)</u>
 Net cash used in operating activities	 <u>(5,967,166)</u>
 Cash flows from investing activities:	
Investments purchased.	(70,997,925)
Investments sold	73,337,640
Interest received	<u>873,782</u>
 Net cash provided by investing activities	 <u>3,213,497</u>
 Net decrease in cash and cash cash equivalents	 (2,753,669)
 Cash and cash equivalents at beginning of year	 <u>46,416,151</u>
Cash and cash equivalents at end of year	<u><u>\$ 43,662,482</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (8,688,907)
 Changes in assets and liabilities:	
Decrease in accounts receivable.	112,104
Increase in deferred outflows - STRS.	(614,759)
Increase in deferred outflows - SERS.	(271,903)
Decrease in accounts payable.	(26,797)
Increase in accrued wages and benefits	4,594
Decrease in intergovernmental payable	(72,642)
Increase in net pension liability	1,098,705
Increase in pension and postemployment benefits payable.	4,559
Increase in unearned revenue	107,880
Increase in claims payable	<u>2,380,000</u>
 Net cash used in operating activities	 <u><u>\$ (5,967,166)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE COUNCIL

Stark County Schools Council of Governments, Stark County, Ohio (the "Council") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code.

The Council is a shared risk pool as defined by Governmental Accounting Standards Board Statement No. 10 as amended by Governmental Accounting Standards Board Statement No. 30. It was formed to carry out a cooperative program for the provision and administration of health care benefits for member employees and to promote other cooperative programs (such as the group rating for workers' compensation) which may be approved in accordance with the Council by-laws.

The Council Assembly is the legislative decision-making body of the Council and is comprised of the superintendent or executive officer from each member. As of June 30, 2017, there were 105 members of the Council. Only the 19 original members from Stark County school districts at the time of the formation of the Council have a vote in the Council Assembly.

Members pay monthly premiums (program costs) that are placed in a common fund from which eligible claims are paid for member employees and their covered dependents. Claims are paid for all participants regardless of claims flows, resulting in a transfer of all risk from the Council back to its members. In order to become a full member of the Council, entities must meet one of two requirements; entities that have been in the program for less than 5 years may maintain a "reserve balance" equal to 30% of their prior fiscal year claims or an entity may have been in the program for 5 years. Full membership is granted whenever one of the requirements is first met.

The Board of Directors is the advisory body of the Council and is comprised of five individuals, including the Superintendent of Stark County Educational Service Center who serves as the Chairman. Among other responsibilities, the Board reviews the applications of potential new Council members, reviews health insurance policies, and selects carriers for insurance coverage. The Board also reviews contracts for the purpose of selecting third-party administrators and makes recommendations to the Council Assembly related to member program costs and adjustments.

The Council Agreement can be terminated by a two-thirds vote of the participating members. Upon such termination, the net reserve balance will be transferred to the members in proportion to their fiscal year premium deposits divided by the total deposits of all members.

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

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

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Council are not misleading. On this basis, no governmental organizations other than the Council itself are included in the financial reporting entity.

B. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Council utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

The Council's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Council's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The Council distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from participants contributions for insurance coverage, rebates and salary reimbursements. Operating expenses for the Council include salaries and wages, fringe benefits, the payment of claims, life insurance premiums, administrative fees and professional fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 government entities in which legal or other restraints require the recording of specific receipts and disbursements. 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 revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

D. Cash and Investments with Fiscal Agent

The Stark County Educational Service Center (the “Service Center”) serves as fiscal agent for the Council. The Service Center maintains the Council’s financial activity on the Service Center’s books under a specific fund designated for Council activity. The Treasurer of the Service Center, acting as custodian of Council funds, invests monies on behalf of the Council. Investments maintained by the Service Center as fiscal agent include the State Treasury Asset Reserve of Ohio (STAR Ohio), money market accounts, U.S. Treasury notes, commercial paper and federal government agency securities. These investments are valued at fair value, which is based on quoted market prices.

The Council invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Council measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

For purposes of the statement of net position and the statement of cash flows, investments purchased by the fiscal agent for the Council with original maturities of three months or less at the time they are purchased are considered to be “cash equivalents”. Investments purchased by the fiscal agent for the Council with original maturities of more than three months at the time they are purchased are considered to be “investments”. An analysis of the Council’s cash and investments with its fiscal agent at fiscal year-end is provided in Note 3.

E. Budgetary Process

The Council is not required to follow the budgetary process, but has elected to adopt a formal budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level and appropriations may not exceed estimated resources. The Board annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

3. Encumbrances

The Council reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated. The Council had \$102,100 in encumbrances outstanding at June 30, 2017.

A summary of 2017 budgetary activity appears in Note 4.

F. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

G. Unearned Revenue

Unearned revenues represent premiums paid in advance by Council members at June 30, 2017. The premiums will be recognized as revenue in the month to which they pertain.

H. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council had no restricted net position at June 30, 2017.

I. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Council Assembly and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

J. Pensions

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

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

K. Fair Value

The Council categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT

The Service Center serves as the fiscal agent for the Council.

State statutes classify monies held by the Service Center into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Council's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As fiscal agent, the Service Center maintains separate depository accounts and separate investment accounts for monies specific to the Council. The amounts held in the depository accounts and the investment accounts at fiscal year year-end are described below.

A. Deposits with Fiscal Agent held in Financial Institutions

At June 30, 2017, the carrying amount of the Council's deposits with fiscal agent held in financial institutions was \$43,412,453. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$44,533,617 of the Council's bank balance of \$44,783,617 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Council’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Council. The Council has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and 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.

B. Investments

As of June 30, 2017, the Council had the following investments and maturities:

Measurement/ Investment type	Measurement value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair value:						
FHLB	\$ 12,292,287	\$ 2,098,203	\$ 2,396,266	\$ 2,989,645	\$ 496,895	\$ 4,311,278
FHLMC	15,111,203	1,499,135	3,787,466	-	-	9,824,602
FNMA	19,638,262	998,375	3,780,245	4,293,210	1,594,003	8,972,429
FFCB	10,926,900	2,899,249	759,509	1,072,922	1,890,844	4,304,376
U.S. Treasury notes	2,657,807	-	-	-	-	2,657,807
Commercial paper	10,254,337	7,781,487	2,472,850	-	-	-
U.S. Government money market	63,783	63,783	-	-	-	-
Amortized cost:						
STAR Ohio	186,246	186,246	-	-	-	-
	<u>\$ 71,130,825</u>	<u>\$ 15,526,478</u>	<u>\$ 13,196,336</u>	<u>\$ 8,355,777</u>	<u>\$ 3,981,742</u>	<u>\$ 30,070,492</u>

The weighted average maturity of investments is 1.64 years.

The Council’s investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The Council’s investments in federal agency securities, commercial paper and U.S. Treasury notes are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Council’s investment policy limits investment portfolio maturities to five years or less.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)

Credit Risk: The Council’s investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio and the U.S. Government money market funds an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Council’s investments in commercial paper were rated A-1+ and P-1 by Standard & Poor’s and Moody’s Investor Services, respectively. The Council’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, commercial paper and U.S. Treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent but not in the Council’s name. The Council has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The Council places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Council at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement value</u>	<u>% of Total</u>
Fair value:		
FHLB	\$ 12,292,287	17.28
FHLMC	15,111,203	21.24
FNMA	19,638,262	27.61
FFCB	10,926,900	15.36
U.S. Treasury notes	2,657,807	3.74
Commercial paper	10,254,337	14.42
U.S. Government money market	63,783	0.09
Amortized cost:		
STAR Ohio	186,246	0.26
	<u>\$ 71,130,825</u>	<u>100.00</u>

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)

C. Reconciliation of Cash and Investments with Fiscal Agent to the Statement of Net Position

The following is a reconciliation of cash and investments with fiscal agent as reported in the note above to cash and investments with fiscal agent as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments with fiscal agent per note</u>	
Carrying amount of deposits with fiscal agent	\$ 43,412,453
Investments with fiscal agent	<u>71,130,825</u>
Total	<u>\$ 114,543,278</u>
<u>Cash and investments with fiscal agent per financial statements</u>	
Cash and investments with fiscal agent	<u>\$ 114,543,278</u>

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2017 is as follows:

	<u>2017 Budgeted vs. Actual Receipts</u>		
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise	<u>\$ 224,986,620</u>	<u>\$ 232,478,175</u>	<u>\$ 7,491,555</u>

	<u>2017 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Fund Type</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Enterprise	<u>\$ 259,388,935</u>	<u>\$ 237,673,659</u>	<u>\$ 21,715,276</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

In consideration for its services, the Service Center, as fiscal agent, may receive a fee from the Council in such an amount as approved by the Council Assembly. During the fiscal year ended June 30, 2017, \$1,140,618 (including an amount payable of \$460,228) of such fees were paid to the Service Center by the Council.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - RISK MANAGEMENT

The Council contracts with two third party administrators, Medical Mutual of Ohio and Aultcare, to process and pay health benefit claims incurred by its members. Payments are made by members to the Council for monthly health insurance premiums, monthly stop-loss premiums and administrative charges. During fiscal year 2017, the Council purchased specific stop-loss coverage of \$500,000 per individual and a maximum aggregate stop-loss coverage liability of \$235,995,439. The Council Treasurer makes monthly payments to the third party administrators for stop-loss premiums and administrative charges incurred on behalf of Council members. Any rate increases/decreases from the stop-loss insurance carrier are passed on to Council participants through their individual participation rates negotiated with the stop-loss insurance carrier. All new members of the Council are required to maintain a 30% reserve balance within three years of joining.

The claims liability of \$22,236,000 reported at June 30, 2017, is based on an actuarial estimate provided by the third party administrator and the requirements of GASB Statement No. 10 as amended by GASB Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the fiscal year ended June 30, 2017 was as follows:

	2017
Claims payable at beginning of fiscal year	\$ 19,856,000
<u>Claims expenses:</u>	
Claims expenses for insured events of the current period	226,194,282
Decrease in claims expenses for insured events of the prior years	(2,396,389)
Total claims expenses	223,797,893
<u>Payments:</u>	
Claims expenses paid attributable to insured events of the current year	203,870,005
Claims expenses paid attributable to insured events of prior years	17,547,888
Total claims payments	221,417,893
Claims payable at end of fiscal year	\$ 22,236,000

The Council also contracts with Caremark, Inc. (Caremark) for prescription drug services. Caremark forwards all prescription drug claim activity to the respective benefit plan provider who, in turn, credits individual policies for claims processed.

The Council also contracts with Comp Management, Inc. to provide workers' compensation benefits at a reduced pool rate for its members. The experience rating of each participating member is calculated as one experience rate and applied to all participants in the program.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the Council has presented for the first time its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). In conjunction with this presentation, the Council has converted its enterprise fund to the accrual basis of accounting.

Accrual Basis Adjustments - the conversion of the activities from the cash-basis of accounting to the accrual basis of accounting required certain adjustments to be recorded at June 30, 2016 to the net cash position as previously reported to reflect the prior year's effect of adopting these new accounting principles.

The restatement to the June 30, 2016 net cash position for the Council follows:

Net cash position, June 30, 2016	\$	119,753,791
Accrual basis adjustments:		
Fair value adjustment on investments		446,589
Accrued interest receivable		164,963
Claims payable		(19,856,000)
Other accrued liabilities		(606,769)
Accounts receivable		5,970,810
Deferred outflows - pensions		56,783
Unearned revenue		<u>(1,067,852)</u>
Restated net position, July 1, 2016	\$	<u>104,862,315</u>

NOTE 8 - 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.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - The Council’s 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	Any age with 30 years of service credit Age 65 with 5 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 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute 14 percent 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 percent for plan members and 14 percent 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, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The Council's contractually required contribution to SERS was \$48,809 for fiscal year 2017. Of this amount, \$2,102 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The Council's licensed teachers and other faculty members 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 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 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent 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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The Council was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Council's contractually required contribution to STRS was \$30,993 for fiscal year 2017. Of this amount, \$1,017 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.00000000%	0.00000000%	
Proportion of the net pension liability current measurement date	<u>0.00447900%</u>	<u>0.00230300%</u>	
Change in proportionate share	<u>0.00447900%</u>	<u>0.00230300%</u>	
Proportionate share of the net pension liability	\$ 327,821	\$ 770,884	\$ 1,098,705
Pension expense	\$ 104,727	\$ 187,118	\$ 291,845

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 4,422	\$ 31,147	\$ 35,569
Net difference between projected and actual earnings on pension plan investments	27,042	64,002	91,044
Changes of assumptions	21,883	-	21,883
Difference between Council contributions and proportionate share of contributions/change in proportionate share	192,323	522,824	715,147
Council contributions subsequent to the measurement date	<u>48,809</u>	<u>30,993</u>	<u>79,802</u>
Total deferred outflows of resources	<u>\$ 294,479</u>	<u>\$ 648,966</u>	<u>\$ 943,445</u>

\$79,802 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 84,056	\$ 145,773	\$ 229,829
2019	84,039	145,773	229,812
2020	69,801	170,328	240,129
2021	<u>7,774</u>	<u>156,099</u>	<u>163,873</u>
Total	<u>\$ 245,670</u>	<u>\$ 617,973</u>	<u>\$ 863,643</u>

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.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 8 - 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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to 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 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.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 percent). 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 percent, 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 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	\$ 434,015	\$ 327,821	\$ 238,933

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates 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	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
	<u> </u>	<u> </u>	<u> </u>
Council's proportionate share of the net pension liability	\$ 1,024,442	\$ 770,884	\$ 556,992

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the Council's NPL is expected to be significant.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the Council's surcharge obligation was \$4,830.

The Council's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$4,830, \$0, and \$0, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable.

B. State Teachers Retirement System

Plan Description - The Council participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. 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 law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The Council did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - RECEIVABLES

Receivables at June 30, 2017 consisted of accounts (billings to member districts for user charged services) and accrued interest. All receivables are considered collectible in full. A summary of the principal items of receivables reported in the statement of net position follows:

Accounts	\$ 5,858,706
Accrued interest	<u>218,073</u>
Total	<u>\$ 6,076,779</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
THREE-YEAR LOSS DEVELOPMENT INFORMATION**

The following table illustrates how the Council's earned revenue and investment income compares to related costs of loss and other expenses assumed by the Council as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the Council including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Council's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called *accident year*).
- (4) This section shows the cumulative net amounts paid as of the end of the accident year.
- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known).
- (6) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information prior to fiscal year 2015 is not available.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
THREE-YEAR LOSS DEVELOPMENT INFORMATION ⁽¹⁾ (CONTINUED)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
1. Premiums and investment income ⁽²⁾	\$ 211,354,234	\$ 231,350,014	\$ 218,011,581
2. Unallocated expenses ⁽²⁾	13,440,611	14,615,955	16,275,423
3. Estimated losses incurred and expense, end of year	197,430,531	202,891,163	226,194,282
4. Paid, cumulative as of:			
End of accident year	181,197,531	183,035,163	203,870,005
One year later	196,193,774	200,501,590	-
Two years later	196,275,235	-	-
5. Re-estimated incurred losses and expense:			
End of accident year	197,430,531	202,891,163	226,194,282
One year later	196,356,696	200,576,235	-
Two years later	196,275,235	-	-
6. Decrease in estimated incurred losses and expenses from end of accident year	(1,155,296)	(2,314,928)	-

Notes:

⁽¹⁾ Information prior to fiscal year 2015 is not available. This schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

⁽²⁾ Information for 2015 and 2016 presented on the cash-basis of accounting.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FISCAL YEAR (1)

	<u>2017</u>
Council's proportion of the net pension liability	0.00447900%
Council's proportionate share of the net pension liability	\$ 327,821
Council's covered payroll	\$ 161,257
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	203.29%
Plan fiduciary net position as a percentage of the total pension liability	62.98%

Note: The Council did not contribute to SERS until fiscal year 2016. Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the Council's measurement date which is the prior year-end.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FISCAL YEAR (1)

	<u>2017</u>
Council's proportion of the net pension liability	0.00230300%
Council's proportionate share of the net pension liability	\$ 770,884
Council's covered payroll	\$ 244,336
Council's proportionate share of the net pension liability as a percentage of its covered payroll	315.50%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

Note: The Council did not contribute to STRS until fiscal year 2016. Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the Council's measurement date which is the prior year-end.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNCIL CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST TWO FISCAL YEARS

	2017	2016
Contractually required contribution	\$ 48,809	\$ 22,576
Contributions in relation to the contractually required contribution	(48,809)	(22,576)
Contribution deficiency (excess)	\$ -	\$ -
Council's covered payroll	\$ 348,636	\$ 161,257
Contributions as a percentage of covered payroll	14.00%	14.00%

Note: Information prior to fiscal year 2016 was unavailable.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNCIL CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TWO FISCAL YEARS

	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 30,993	\$ 34,207
Contributions in relation to the contractually required contribution	<u>(30,993)</u>	<u>(34,207)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Council's covered payroll	\$ 221,379	\$ 244,336
Contributions as a percentage of covered payroll	14.00%	14.00%

Note: Information prior to fiscal year 2016 was unavailable.

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to 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.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Stark County Schools Council of Governments
Stark County
2100 38th Street NW
Canton, Ohio 44709

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Stark County Schools Council of Governments, Stark County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Stark County Schools Council of Governments' basic financial statements and have issued our report thereon dated January 11, 2018, wherein we noted, as discussed in Note 7, the Stark County Schools Council of Governments has presented, for the first time, its basic financial statements in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Stark County Schools Council of Governments' internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Stark County Schools Council of Governments' 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 Stark County Schools Council of Governments' financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Stark County Schools Council of Governments

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 11, 2018

This page intentionally left blank.



Dave Yost • Auditor of State

STARK COUNTY SCHOOLS COUNCIL OF GOVERNMENT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 3, 2018