



OHIO AUDITOR OF STATE
KEITH FABER



**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY
JUNE 30, 2020**

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**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY
JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Northeast Ohio Consortium Council of Governments
Geauga County
385 Center Street, Suite 100
Chardon, Ohio 44024

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Northeast Ohio Consortium Council of Governments, Geauga County, Ohio (the NOC COG), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the NOC COG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the NOC COG as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the NOC COG. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the NOC COG's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the NOC COG's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NOC COG's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2021

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Northeast Ohio Consortium Council of Governments

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

The discussion and analysis of the Northeast Ohio Consortium Council of Governments (NOC COG) financial performance provides an overall review of NOC COG's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at NOC COG's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of NOC COG's financial performance.

Financial Highlights

Key Financial Highlights for fiscal year 2020 are as follows:

- The NOC COG Ohio Means Jobs Center locations served 6,620 new and returning customers through the provision of universal workforce career services pursuant to the Workforce Innovation and Opportunity Act ("WIOA"). Ashtabula County provided 3,874, Geauga County provided 974 and Portage County provided 1,772 instances of services to universal customers.
- The NOC COG also served 334 youth (182 In-School Youth and 152 Out-of-School Youth) in intensive WIOA youth programming. Ashtabula County served 56 In-School and 79 Out-of-School; Geauga County served 3 WIOA In-School and 5 WIOA Out-of-School; and Portage County served 123 In-School and 68 Out-of-School.
- During fiscal year 2020, the NOC COG conducted 163 business interviews and provided 85 proposals for assistance across Portage County through the Business Services offering businesses assistance with economic and workforce development.
- NOC COG had \$2,488,582 in expenses related to governmental activities which were offset by program revenues of \$2,557,554.

Using this Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the NOC COG, presenting both an aggregate view of NOC COG's finances and a longer-term view of those assets. The Statement of Activities shows a net (expense) revenue and changes to net position related to each department of NOC COG. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

Reporting on the Northeast Ohio Consortium Council of Governments as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position and Statement of Activities include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

Northeast Ohio Consortium Council of Governments

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

These two statements report NOC COG's net position and the change in that position. The change in net position is important because it tells the reader whether, for NOC COG as a whole, the financial position of NOC COG has improved or diminished.

All of NOC COG's programs and services are reported as Governmental Activities in the Statement of Net Position and the Statement of Activities. Governmental Activities consist of functions that are primarily supported by intergovernmental revenues. Activities include administration, adult, dislocated workers, youth and other funding streams as available.

Reporting on the Most Significant Fund

Governmental Fund

The presentation for NOC COG's only fund, the Workforce Investment Act (WIA) and Workforce Innovation and Opportunity Act (WIOA) special revenue fund, focuses on how resources flow into and out of it and the balance that is left at year end and available for spending in future periods. The WIA/WIOA special revenue fund is reported using modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of NOC COG's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our users. The relationship (or difference) between governmental *activities* (reported in the *Statement of Net Position* and the *Statement of Activities*) and the governmental *fund* is reconciled in the financial statements.

Northeast Ohio Consortium Council of Governments as a Whole

Recall that the Statement of Net Position looks at NOC COG as a whole. Table 1 provides a summary of NOC COG's net position for fiscal year 2020 compared to fiscal year 2019.

Table 1
Net Position

	2020	2019	Change
Assets			
Current and Other Assets-General	\$466,665	\$613,657	(\$146,992)
Current and Other Assets-One Stop	62,363	55,250	7,113
<i>Total Assets</i>	<u>529,028</u>	<u>668,907</u>	<u>(139,879)</u>
Deferred Outflows of Resources			
Pension	52,686	83,781	(31,095)
OPEB	43,500	11,218	32,282
<i>Total Deferred Outflows of Resources</i>	<u>\$96,186</u>	<u>\$94,999</u>	<u>\$1,187</u>

(continued)

Northeast Ohio Consortium Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 1
Net Position (continued)

	2020	2019	Change
Liabilities			
Current Liabilities	\$314,507	\$561,020	\$246,513
Long-Term Liabilities:			
Due in More than One Year:			
Net Pension Liability	275,139	322,629	47,490
Net OPEB Liability	179,151	143,024	(36,127)
Other Amounts	17,172	17,561	389
<i>Total Liabilities</i>	<u>785,969</u>	<u>1,044,234</u>	<u>258,265</u>
Deferred Inflows of Resources			
Pension	67,650	30,505	(37,145)
OPEB	32,158	19,748	(12,410)
<i>Total Deferred Inflows of Resources</i>	<u>99,808</u>	<u>50,253</u>	<u>(49,555)</u>
Net Position			
Restricted	197,349	90,326	107,023
Unrestricted (Deficit)	(457,912)	(420,907)	(37,005)
<i>Total Net Position</i>	<u>(\$260,563)</u>	<u>(\$330,581)</u>	<u>\$70,018</u>

The net pension liability and net OPEB liability represent a significant portion of the total liabilities reported by the NOC COG at June 30, 2020. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the NOC COG is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Northeast Ohio Consortium Council of Governments

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

Current and other assets decreased due to fewer grants receivable in fiscal year 2020. The three counties send invoices for program expenditures to the NOC COG who then in turn submits a cash request to the Ohio Department of Job and Family Services. Therefore the decrease in intergovernmental receivables is directly correlated to a decrease in intergovernmental payables.

Current liabilities consisted of accrued wages, intergovernmental payable and vacation benefits payable. Current liabilities were lower than last fiscal year due mainly to a decrease in intergovernmental payables owed to the three Counties for amounts invoiced relating to fiscal year 2020 adult, dislocated worker and youth programs. Long-term liabilities decreased due to decreases in compensated absences and the net pension liability. The decrease in the net pension liability was offset by changes in the deferred outflows and inflows relating to the net pension liability.

Table 2 shows the changes in net position for fiscal year 2020 compared to fiscal year 2019.

Table 2
Changes in Net Position

	2020	2019	Change
Revenues			
Program Revenues:			
Charges for Services	\$420,814	\$489,990	(\$69,176)
Operating Grants and Contributions	2,136,740	2,885,461	(748,721)
General Revenues			
Interest	0	4	(4)
Miscellaneous	1,046	4,625	(3,579)
<i>Total Revenues</i>	<u>2,558,600</u>	<u>3,380,080</u>	<u>(821,480)</u>
Program Expenses			
Administration	324,766	351,369	26,603
Adult	561,310	780,188	218,878
Dislocated Workers	322,886	450,293	127,407
Youth	830,149	1,527,287	697,138
Ohio Works Incentive Program	70,500	52,000	(18,500)
Opioids Treatment	132,106	0	(132,106)
One Stop	246,865	291,935	45,070
<i>Total Program Expenses</i>	<u>2,488,582</u>	<u>3,453,072</u>	<u>964,490</u>
<i>Change in Net Position</i>	70,018	(72,992)	143,010
<i>Net Position Beginning of Year</i>	<u>(330,581)</u>	<u>(257,589)</u>	<u>(72,992)</u>
<i>Net Position End of Year</i>	<u><u>(\$260,563)</u></u>	<u><u>(\$330,581)</u></u>	<u><u>\$70,018</u></u>

The main revenue for NOC COG is Workforce Investment Act and Workforce Innovative and Opportunity Act grants through the Ohio Department of Job and Family Services by the United States Department of Labor. During fiscal year 2020, total revenues decreased due mainly to a decrease in both workforce investment act monies as well as one stop resource sharing revenues. The decrease in program expenses reflects the decrease in funding requested/received for One Stop programs.

Northeast Ohio Consortium Council of Governments

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

Northeast Ohio Consortium Council of Governments Fund

Information about NOC COG's governmental fund begins with the balance sheet. NOC COG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of NOC COG's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the NOC COG's financing requirements.

As of the end of the current fiscal year, NOC COG's governmental fund reported an ending fund balance of \$185,115. The governmental fund had total revenues of \$2,651,185 and expenditures of \$2,452,587 during fiscal year 2020.

Budgeting Highlights

The NOC COG's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30, 2020. NOC COG's annual budget is not subject to formal budget commission procedures and/or legal requirements. NOC COG's primary funding source is Federal and State grants, which have grant periods that may or may not coincide with NOC COG's fiscal year. Due to the nature of NOC COG's dependency on Federal and State budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

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

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

As the fiduciary agent of taxpayer funds, NOC COG diligently searches for new and more efficient methods to reduce and/or contain operating expenses. NOC COG's goal continues to be to serve the maximum customers with the allocations available.

Current Financial Related Activities

Significant economic factors affecting NOC COG are as follows:

- Federal Workforce Investment Act and Workforce Innovation and Opportunity Act funding through the U.S. Department of Labor
- National, State and Local unemployment rates
- National, State and Local poverty and income levels
- Inflationary pressure on training, services, supplies and other program and operational costs

NOC COG program allocations are calculated by the Ohio Department of Job and Family Services (ODJFS) based on a formula specified in the Workforce Investment Act and Workforce Innovation and Opportunity Act. This formula considers various economic factors including income levels and unemployment rates.

Northeast Ohio Consortium Council of Governments

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

Contacting the Northeast Ohio Consortium Council of Governments Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with the general overview of NOC COG's finances and to show NOC COG's accountability for all money it receives, spends, or invests. If you have any questions about this report or need financial information, contact Craig F. Sernik, Executive Director, Northeast Ohio Consortium Council of Governments, 385 Center Street, Suite #100, Chardon, Ohio 44024.

Basic Financial Statements

Northeast Ohio Consortium Council of Governments

Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents - General	\$273,076
Equity in Pooled Cash and Cash Equivalents - One-Stop	62,363
Intergovernmental Receivable	191,746
Prepaid Items	<u>1,843</u>
<i>Total Assets</i>	<u>529,028</u>
Deferred Outflows of Resources	
Pension	52,686
OPEB	<u>43,500</u>
<i>Total Deferred Outflows of Resources</i>	<u>96,186</u>
Liabilities	
Accrued Wages	1,399
Intergovernmental Payable	300,629
Vacation Benefits Payable	12,479
Long-Term Liabilities:	
Due in More Than One Year:	
Net Pension Liability (See Note 6)	275,139
Net OPEB Liability (See Note 7)	179,151
Other Amounts	<u>17,172</u>
<i>Total Liabilities</i>	<u>785,969</u>
Deferred Inflows of Resources	
Pension	67,650
OPEB	<u>32,158</u>
<i>Total Deferred Inflows of Resources</i>	<u>99,808</u>
Net Position	
Restricted for Job Training Programs	197,349
Unrestricted (Deficit)	<u>(457,912)</u>
<i>Total Net Position</i>	<u><u>(\$260,563)</u></u>

See accompanying notes to the basic financial statements

Northeast Ohio Consortium Council of Governments

Statement of Activities

For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Administration	\$324,766	\$0	\$335,551	\$10,785
Adult	561,310	79,646	497,660	15,996
Dislocated Workers	322,886	79,646	251,318	8,078
Youth	830,149	0	857,718	27,569
Ohio Works Incentive Program	70,500	0	58,000	(12,500)
Opioids Treatment	132,106	0	136,493	4,387
One Stop	246,865	261,522	0	14,657
<i>Totals</i>	<u>\$2,488,582</u>	<u>\$420,814</u>	<u>\$2,136,740</u>	68,972
		<i>General Revenues:</i>		
		Miscellaneous		<u>1,046</u>
		Change in Net Position		70,018
		<i>Net Position Beginning of Year</i>		<u>(330,581)</u>
		<i>Net Position End of Year</i>		<u><u>(\$260,563)</u></u>

See accompanying notes to the basic financial statements

Northeast Ohio Consortium Council of Governments

*Balance Sheet
Governmental Fund
June 30, 2020*

	WIA/WIOA Fund
Assets	
Equity in Pooled Cash and Cash Equivalents - General	\$273,076
Equity in Pooled Cash and Cash Equivalents - One Stop	62,363
Intergovernmental Receivable	191,746
Prepaid Items	1,843
	<hr/>
<i>Total Assets</i>	<u>\$529,028</u>
Liabilities	
Accrued Wages	\$1,399
Intergovernmental Payable	300,629
	<hr/>
<i>Total Liabilities</i>	<u>302,028</u>
Deferred Inflows of Resources	
Unavailable Revenue	41,885
	<hr/>
Fund Balance	
Nonspendable	1,843
Restricted	183,272
	<hr/>
<i>Total Fund Balance</i>	<u>185,115</u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$529,028</u></u>

See accompanying notes to the basic financial statements

Northeast Ohio Consortium Council of Governments

Reconciliation of Total Governmental Fund Balance to

Net Position of Governmental Activities

June 30, 2020

Total Governmental Fund Balance	\$185,115
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue.	
Intergovernmental	14,706
Charges for Services (One Stop)	<u>27,179</u>
Total	41,885
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the fund.	
	(12,479)
The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental fund.	
Deferred Outflows - Pension	52,686
Deferred Outflows - OPEB	43,500
Net Pension Liability	(275,139)
Net OPEB Liability	(179,151)
Deferred Inflows - Pension	(67,650)
Deferred Inflows - OPEB	<u>(32,158)</u>
Total	(457,912)
Long-term liabilities payable, such as compensated absences, are not due and payable in the current period and therefore are not reported in the fund.	
	<u>(17,172)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$260,563)</u></u>

See accompanying notes to the basic financial statements

Northeast Ohio Consortium Council of Governments
Statement of Revenues, Expenditures and Change in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2020

	WIA/WIOA Fund
Revenues	
Intergovernmental	\$2,250,985
One Stop	399,154
Miscellaneous	1,046
	2,651,185
<i>Total Revenues</i>	<i>2,651,185</i>
Expenditures	
Administration	288,771
Adult	561,310
Dislocated Workers	322,886
Youth	830,149
Ohio Works Incentive Program	70,500
Opioids Treatment	132,106
One Stop	246,865
	2,452,587
<i>Total Expenditures</i>	<i>2,452,587</i>
<i>Net Change in Fund Balance</i>	<i>198,598</i>
<i>Fund Balance (Deficit) Beginning of Year</i>	<i>(13,483)</i>
<i>Fund Balance End of Year</i>	<i>\$185,115</i>

See accompanying notes to the basic financial statements

Northeast Ohio Consortium Council of Governments
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of the Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2020*

Net Change in Fund Balance - Total Governmental Fund	\$198,598
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*Amounts reported for governmental activities in the
statement of activities are different because*

Revenues in the statement of activities that do not provide current financial resources,
are not reported as revenues in the fund.

Intergovernmental	(114,245)
Charges for Services (One Stop)	<u>21,660</u>

Total	(92,585)
-------	----------

Contractually required contributions for pension are reported as expenditures in
the governmental fund; however, the statement of net position reports these
amounts as deferred outflows. 26,446

Except for amounts reported as deferred inflows/outflows, changes in net pension liability
are reported as pension expense in the statement of activities.

Pension	(47,196)
OPEB	<u>(16,255)</u>

Total	(63,451)
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Some expenses reported in the statement of activities, such as compensated absences
and vacation benefits, do not require the use of current financial resources and therefore
are not reported as expenditures in the governmental fund.

Compensated Absences	389
Vacation Benefits Payable	<u>621</u>

Total	<u>1,010</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$70,018</u></u>
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See accompanying notes to the basic financial statements

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

Note 1 – Description of the Entity

The Workforce Investment Act (WIA) passed by Congress in August 1998 redesigned federal training programs. WIA made significant changes in how federally funded job-training programs and services are delivered. The passage of WIA gave states and local units of government the power to determine the allocation of WIA dollars in providing training and services to participants. WIA also changed the way federally funded job-training programs are structured, the type of services provided and who is eligible to receive services.

Effective as of July 1, 2015, the Northeast Ohio Consortium Council of Governments (“NOC COG”) is eligible to receive and administer funds granted by the Governor of the State of Ohio under the Workforce Innovation and Opportunity Act (“WIOA”) which was executed as law on July 22, 2014 and superseded the Workforce Investment Act (WIA) of 1998, effective in part, on July 1, 2015.

WIOA funding is allocated to the State of Ohio by the United States Department of Labor based on a statutory formula. The State then allocates funding to Local Workforce Boards through the Ohio Department of Job and Family Services based on a statutory formula. As the grant administrator and fiscal agent, for Geauga, Ashtabula, and Portage Counties (Local Workforce Development Board Area 19), the NOC COG is responsible for all federal compliance requirements applicable to WIOA program and other relative workforce development activities funding sources, and is responsible for complying with all State and federal reporting requirements.

The Northeast Ohio Consortium Council of Governments is a division of local government, established for the purpose of exercising the rights and privileges conveyed to it by the State of Ohio, as defined and set forth with Chapter 167 of the Ohio Revised Code. The NOC COG was created for the express purpose of implementing, governing, and administering any and all workforce and economic development programming.

The NOC COG carries out the purpose of the WIOA by assessing workforce needs, developing strategies, plans, programs, and resources to provide employment, training, and education, and related services to the citizens of the local area; and to provide oversight and evaluation of such efforts. The purpose of WIOA is to provide workforce investment activities, through Statewide and local workforce investment systems, that increase the employment, retention, and earnings of participants; and increase occupational skill attainment by participants and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the nation.

For financial reporting purposes, all departments and operations over which NOC COG exercises financial accountability are included in the reporting entity.

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

NOC COG participates in a public entity risk pool, the County Risk Sharing Authority. This organization is presented in Note 13 to the basic financial statements.

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Northeast Ohio Consortium Council of Governments have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The more significant of the NOC COG's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about NOC COG as a whole. These statements include the financial activities of the primary government. These statements distinguish between those activities of NOC COG that are governmental and those that are considered business-type. NOC COG, however, has no business-type activities.

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

Fund Financial Statements Fund financial statements report detailed information about the organization. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities and deferred inflows of resources are reported as fund balance. NOC COG's only governmental fund is the WIA/WIOA special revenue fund which accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Measurement of Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of NOC COG are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The WIA/WIOA special revenue fund uses the modified accrual basis of accounting.

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

Non-exchange transactions, in which NOC COG receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which NOC COG must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to NOC COG on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources such are considered to be both measurable and available at fiscal year-end: grants and investment earnings.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the NOC COG, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the NOC COG, deferred inflows of resources include unavailable revenue, pension and OPEB plans. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the NOC COG, unavailable revenue includes intergovernmental revenue and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 15. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 6 and 7)

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

To improve cash management, all cash received by NOC COG is pooled in a central bank account. Monies for all funds are maintained in the account or temporarily used to purchase short term investments. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by NOC COG are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. NOC COG does not have any investments at this time.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the fiscal year which services are consumed.

Capital Assets

Capital assets include furniture and equipment purchased by Northeast Ohio Consortium Council of Governments, for the use of Northeast Ohio Consortium Council of Governments. These assets generally result from expenditures in the governmental funds. NOC COG's property management standards require that depreciation be computed on all non-expendable personal property having a useful life of more than one year and purchase price of \$5,000 or more. Northeast Ohio Consortium Council of Governments does not have any capital assets.

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

All capital assets that may have been purchased by NOC COG, as fiscal agent for Geauga, Ashtabula and Portage Counties, with Workforce Investment Act and Workforce Innovation and Opportunity Act program grant funds, were purchased for the use of said counties. Therefore, each county is responsible for the recording of any capital assets purchased through NOC COG, and the computation and recording of depreciation.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the NOC COG will compensate the employees for the benefits through paid time off or some other means. The NOC COG records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Since the NOC COG's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the NOC COG has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the NOC COG's termination policy.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Governmental fund payables that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, compensated absences will be paid from the governmental fund are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which NOC COG is bound to observe constraints imposed upon the use of the resources in the governmental funds. NOC COG, however, only uses the following three:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Unassigned The unassigned classification is used only to report a deficit balance.

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Estimates

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

Note 3 – Fund Balances

Fund balance is classified as nonspendable and restricted based primarily on the extent to which NOC COG is bound to observe constraints imposed upon the use of the resources in the government funds. At fiscal year-end, \$1,843 of the fund balance was nonspendable in relation to prepaid insurance and \$183,272 of the fund balance was restricted for job training.

Note 4 – Deposits and Investments

Monies held by NOC COG are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the NOC COG treasury. Active monies must be maintained either as cash in the NOC COG 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 NOC COG 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.

Protection of the NOC COG's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Interim monies held by NOC COG can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio), and;
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time, if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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 NOC COG, 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.

Note 5 – Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants. Intergovernmental receivables represent amounts owed to NOC COG from the Ohio Department of Jobs and Family Services for grant funds earned but not received in the amount of \$191,746. All receivables are considered fully collectible and will be received within one year.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 6 - Defined Benefit Pension Plan

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*. The remainder of this note includes the required pension disclosures. See Note 7 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – NOC COG employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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While members (e.g. NOC COG 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 in the tradition plan were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested in upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

	<u>State and Local</u>
Fiscal Year 2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
Fiscal Year 2020 Actual Contribution Rates	
Employer:	
Pension *	14.0 %
Post-employment Health Care Benefits *	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

* These pension and employer health care rates are for the traditional plan.

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

For fiscal year 2020, NOC COG's contractually required contribution was \$26,446. \$2,155 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. NOC COG's proportion of the net pension liability was based on NOC COG'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 of NOC COG's defined benefit pension plans:

	<u>OPERS</u>
Proportion of the Net Pension Liability:	
Current Measurement Date	0.00139200%
Prior Measurement Date	<u>0.00117800%</u>
Change in Proportionate Share	<u>0.00021400%</u>
Proportionate Share of the:	
Net Pension Liability	\$275,139
Pension Expense	\$47,196

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*Notes to the Basic Financial Statements
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At June 30, 2020, NOC COG reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Changes of assumptions	\$14,696
Changes in proportion and differences between NOC COG contributions and proportionate share of contributions	28,195
NOC COG contributions subsequent to the measurement date	<u>9,795</u>
Total Deferred Outflows of Resources	<u><u>\$52,686</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$3,479
Net difference between projected and actual earnings on pension plan investments	54,884
Changes in proportion and differences between NOC COG contributions and proportionate share of contributions	<u>9,287</u>
Total Deferred Inflows of Resources	<u><u>\$67,650</u></u>

\$9,795 reported as deferred outflows of resources related to pension resulting from NOC COG contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in fiscal year 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>OPERS</u>
2021	\$2,417
2022	(7,657)
2023	2,273
2024	<u>(21,792)</u>
Total	<u><u>(\$24,759)</u></u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements
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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, 2019, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

	<u>OPERS Traditional Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined

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Notes to the Basic Financial Statements

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benefit pension plans. The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan. 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 for the traditional pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of NOC COG’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents NOC COG’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what NOC COG’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
NOC COG's proportionate share of the net pension liability			
OPERS Traditional Plan	\$453,792	\$275,139	\$114,534

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 7 - Defined Benefit OPEB Plan

See Note 6 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For fiscal year 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for fiscal year 2020 was 4.0 percent.

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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

NOC COG did not have a contractually required contribution for fiscal year 2020.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. NOC COG's proportion of the net OPEB liability was based on NOC COG's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.0012970%
Prior Measurement Date	<u>0.0010970%</u>
Change in Proportionate Share	<u><u>0.0002000%</u></u>
Proportionate Share of the Net OPEB Liability	\$179,151
OPEB Expense	\$16,255

At June 30, 2020, NOC COG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	\$5
Changes of assumptions	28,358
Changes in proportion and differences between NOC COG contributions and proportionate share of contributions	<u>15,137</u>
Total Deferred Outflows of Resources	<u><u>\$43,500</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$16,384
Net difference between projected and actual earnings on OPEB plan investments	9,122
Changes in proportion and differences between NOC COG contributions and proportionate share of contributions	<u>6,652</u>
Total Deferred Inflows of Resources	<u><u>\$32,158</u></u>

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

Fiscal Year Ending June 30:	<u>OPERS</u>
2020	\$7,085
2021	8,147
2022	8
2023	<u>(3,898)</u>
Total	<u><u>\$11,342</u></u>

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 health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.50 percent, ultimate in 2030
Prior Measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	575.00
Real Estate Investment Trust	6.00	569.00
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of NOC COG's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents NOC COG's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what NOC COG's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
NOC COG's proportionate share of the net OPEB liability	\$234,446	\$179,151	\$134,875

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
NOC COG's proportionate share of the net OPEB liability	\$173,863	\$179,151	\$184,369

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

Note 8 – Contingent Liabilities

There are no pending material lawsuits in which Northeast Ohio Consortium Council of Governments is involved.

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies.

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

Note 9 – Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Sick leave is accrued at the rate of 4.6 hours per eighty hours of service worked. Employees earn vacation different rates depending upon length of service and type of employment. Vacation leave benefits are credited to each employee upon the employee's full-time anniversary date. Vacation benefits are lost upon the following year's anniversary date if employees do not use these balances during the year unless prior approval has been obtained from an immediate supervisor. Upon termination, employees are paid up to a maximum of 250 hours for accumulated unused sick leave.

Note 10 – Lease Commitments

NOC COG does not have any material lease commitments. Total office rent expense was \$16,250 for fiscal year ended June 30, 2020. NOC COG leases office space under a certain operating lease for one year at a time.

Note 11 – Risk Management

Property and Liability Insurance

NOC COG is exposed to various risks of loss related to torts, thefts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, NOC COG contracted with County Risk Sharing Authority (CORSA) for officer and director liability, general liability, automobile liability and business personal property insurance. The director and officer liability policy provides aggregate coverage in the amount of \$1,000,000 with a deductible of \$2,500. The general liability and automobile liability coverage is \$1,000,000 for each occurrence with a deductible of \$2,500. The business personal property coverage limit is \$55,000 with a deductible of \$2,500 in any one occurrence.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

Workers' compensation coverage is provided by the State. NOC COG pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

As NOC COG does not have capital assets, no other type of insurance is necessary.

Employee Medical Benefits

NOC COG provides life, health, and dental insurance to its employees through Anthem Blue Cross Blue Shield.

Note 12 - Long-Term Obligations

Changes in long-term obligations during fiscal year 2020 were as follows:

	<u>Outstanding 6/30/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/20</u>
<i>Long-Term Obligations</i>				
Net Pension Liability				
OPERS	\$322,629	\$0	(\$47,490)	\$275,139
Net OPEB Liability				
OPERS	143,024	36,127	0	179,151
Compensated Absences	<u>17,561</u>	<u>10,861</u>	<u>(11,250)</u>	<u>17,172</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$483,214</u>	<u>\$46,988</u>	<u>(\$58,740)</u>	<u>\$471,462</u>

The NOC COG pays obligations related to compensated absences and employee compensation from the fund benefitting from their service. There are no repayment schedules for the net pension liability and net OPEB liability. For additional information related to the net pension and net OPEB liabilities see Notes 6 and 7. At June 30, 2020, the net pension liability, the net OPEB liability and compensated absences do not have any amounts due in one year.

Note 13 – Public Entity Risk Pool

The County Risk Sharing Authority (CORSA) is a public entity risk sharing pool among sixty-five counties in Ohio. CORSA was established in 1987 as an Ohio nonprofit, self-insured pool to provide member counties with the best comprehensive property and liability coverage and highest quality risk management services at a stable and competitive price.

Member Counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. CORSA provides comprehensive coverage and risk management services for property and liability coverage including general liability, law enforcement liability, automobile liability, errors and omissions, direct physical loss or damage, equipment breakdown and crime.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

CORSA is governed by nine Directors, who are County Commissioners from member counties. The Directors are elected by CORSA members and are eligible to serve three, two year terms. The officers are elected by the Board of Directors, and are eligible to serve two, one year terms. Each member county designates a voting representative and alternate in accordance with CORSA's Code of Regulations.

CORSA has earned the Advisory Standards Recognition from the association of Governmental Risk Pool (AGRIP). The award recognizes those pools that adhere to the eighty-eight "best practices" standards as established by AGRIP's Membership Practices Committee, relating to the governance, management, financial accounting and operation of the pool.

Note 14 – Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The NOC COG evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the NOC COG implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

For fiscal year 2020, the NOC COG also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the NOC COG's fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. These changes were incorporated in the NOC COG's fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

Note 15 – COVID-19

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

Required Supplementary Information

Northeast Ohio Consortium Council of Governments
Required Supplementary Information
Schedule of NOC COG's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
*Last Six Fiscal Years (1) **

	2020	2019	2018
NOC COG's Proportion of the Net Pension Liability	0.00139200%	0.00117800%	0.00135000%
NOC COG's Proportionate Share of the Net Pension Liability	\$275,139	\$322,629	\$211,790
NOC COG's Covered Payroll	\$195,893	\$159,064	\$178,354
NOC COG's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.45%	202.83%	118.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%

(1) Information prior to 2015 is not available.

*Amounts presented for each fiscal year were determined as of NOC COG's measurement date which is the prior calendar year end.

See accompanying notes to the required supplementary information

2017	2016	2015
0.00147900%	0.00115900%	0.00122400%
\$335,855	\$200,753	\$147,628
\$191,233	\$144,300	\$150,433
175.63%	139.12%	98.14%
77.25%	81.08%	86.45%

Northeast Ohio Consortium Council of Governments
Required Supplementary Information
Schedule of NOC COG's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System - Traditional Plan
*Last Four Fiscal Years (1)**

	2020	2019	2018	2017
NOC COG's Proportion of the Net OPEB Liability	0.0012970%	0.0010970%	0.0012600%	0.0014700%
NOC COG's Proportionate Share of the Net OPEB Liability	\$179,151	\$143,024	\$136,827	\$148,475
NOC COG's Covered Payroll	\$195,893	\$159,064	\$178,354	\$191,233
NOC COG's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.45%	89.92%	76.72%	77.64%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of NOC COG's measurement date which is the prior calendar year end.

See accompanying notes to the required supplementary information

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Northeast Ohio Consortium Council of Governments
Required Supplementary Information
Schedule of NOC COG's Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Six Fiscal Years (1)

	2020	2019	2018
Net Pension Liability			
Contractually Required Contribution	\$26,446	\$20,559	\$22,909
Contributions in Relation to the Contractually Required Contribution	(26,446)	(20,559)	(22,909)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
NOC COG Covered Payroll (2)	\$188,900	\$146,850	\$169,364
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.53%</u>
Net OPEB Liability			
Contractually Required Contribution	0	0	802
Contributions in Relation to the Contractually Required Contribution	0	0	(802)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.47%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2015 is not available. An additional column will be added each year.

(2) NOC COG's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$23,850	\$21,014	\$16,814
<u>(23,850)</u>	<u>(21,014)</u>	<u>(16,814)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$190,570	\$175,117	\$140,117
<u>12.52%</u>	<u>12.00%</u>	<u>12.00%</u>
2,830	3,502	2,802
<u>(2,830)</u>	<u>(3,502)</u>	<u>(2,802)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.49%</u>	<u>2.00%</u>	<u>2.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Northeast Ohio Consortium Council of Governments
Notes to the Required Supplementary Information
For the fiscal year ended June 30, 2020

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Beginning in 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent.

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

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

Northeast Ohio Consortium Council of Governments
Notes to the Required Supplementary Information
For the fiscal year ended June 30, 2020

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:	
Beginning in Fiscal year 2019	6.00 percent
Fiscal year 2018	6.50 percent
Municipal Bond Rate:	
Fiscal year 2020	2.75 percent
Fiscal year 2019	3.71 percent
Fiscal year 2018	3.31 percent
Single Discount Rate:	
Fiscal year 2020	3.16 percent
Fiscal year 2019	3.96 percent
Fiscal year 2018	3.85 percent
Health Care Cost Trend Rate:	
Fiscal year 2020	10.0 percent, initial 3.5 percent, ultimate in 2030
Fiscal year 2019	10.0 percent, initial 3.25 percent, ultimate in 2029
Fiscal year 2018	7.5 percent, initial 3.25 percent, ultimate in 2028

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**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF LABOR</u>				
<i>Passed Through Ohio Department of Job & Family Services:</i>				
<i>Workforce Innovation and Opportunity Act (WIOA) Cluster:</i>				
WIOA - Adult Program	17.258	(A)	\$583,282	\$583,282
WIOA - Adult Administration		(A)	-	100,558
Non-Formulary Grants - OMJ Resource Sharing		(A)	1,078	1,078
Non-Formulary Grants - State Special Projects		(A)	86,530	86,530
Total - WIOA Adult Program			670,890	771,448
<i>Workforce Innovation and Opportunity Act (WIOA) Cluster:</i>				
CCMEP WIOA - Youth Administration	17.259	(A)	-	54,531
CCMEP WIOA - Youth Program		(A)	967,268	967,268
Non-Formulary Grants - Youth Administration		(A)	-	-
Non-Formulary Grants - Youth Program		(A)	-	-
Total - WIOA Youth Activities			967,268	1,021,799
<i>Workforce Innovation and Opportunity Act (WIOA) Cluster:</i>				
WIOA - Dislocated Worker Administration	17.278	(A)		78,182
WIOA - Dislocated Worker Program		(A)	523,831	523,831
Non-Formulary Grants - OMJ Resource Sharing		(A)	1,552	1,552
Total - Dislocated Worker Formula Grants			525,383	603,565
Total WIOA Cluster			2,163,541	2,396,812
Employment Services/Wagner-Peyser Funded Activities	17.207	(A)	33,933	33,933
Trade Adjustment Assistance	17.245	(A)	5,766	5,766
Non-Formulary-Grants-Program	17.277	(A)	98,640	98,640
Workforce Innovation Fund	17.283	(A)	30,212	30,212
Total U.S. Department of Labor			2,332,092	2,565,363
<u>Department of Health and Human Services</u>				
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Temporary Assistance for Needy Families (TANF)	93.558	(A)	70,500	70,500
Totals			\$ 2,402,592	\$ 2,635,863

(A) - Entity number not known or not applicable.

The accompanying notes are an integral part of this Schedule.

**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Northeast Ohio Consortium Council of Governments (the NOC COG) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the NOC COG, it is not intended to and does not present the financial position or changes in net position of the NOC COG.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

The NOC COG has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The NOC COG passes certain federal awards received from the Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, the NOC COG reports expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE E – ADMINISTRATIVE EXPENSES

The Administrative expenses for these programs are allocated between CFDA numbers 17.258, 17.259 and 17.278, based on a percentage of the federal expenditures.

OHIO AUDITOR OF STATE KEITH FABER



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

Northeast Ohio Consortium Council of Governments
Geauga County
385 Center Street, Suite 100
Chardon, Ohio 44024

To the Board of Commissioners:

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 governmental activities and the major fund of the Northeast Ohio Consortium Council of Governments, Geauga County, (the NOC COG) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the NOC COG's basic financial statements and have issued our report thereon dated March 26, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the NOC COG.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the NOC COG's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the NOC COG's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the NOC COG's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. 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 NOC COG's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the NOC COG's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2021

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Northeast Ohio Consortium Council of Governments
Geauga County
385 Center Street, Suite 100
Chardon, Ohio 44024

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited the Northeast Ohio Consortium Council of Government's (the NOC COG) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Northeast Ohio Consortium Council of Government's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the NOC COG's major federal program.

Management's Responsibility

The NOC COG's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the NOC COG's compliance for the NOC COG's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the NOC COG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Northeast Ohio Consortium Council of Governments complied, in all material respects with the compliance requirements referred to above that could directly and materially affect the major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The NOC COG's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the NOC COG's internal control over compliance with the applicable requirements that could directly and materially affect the major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the NOC COG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2021

**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act (WIOA) Cluster: CFDA #17.258 – WIA/WIOA Adult Program CFDA #17.259 – WIA Youth Activities CFDA #17.278 – WIA/WIOA Dislocated Worker Formula Grant
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS

GEAUGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/30/2021

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