OHIO AUDITOR OF STATE
**KEITH FABER**

**NORTHEAST OHIO FOUR COUNTY REGIONAL**
**PLANNING AND DEVELOPMENT ORGANIZATION**
**SUMMIT COUNTY**
**JUNE 30, 2020 AND 2019**

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OHIO AUDITOR OF STATE
KEITH FABER

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**INDEPENDENT AUDITOR'S REPORT**

Northeast Ohio Four County Regional Planning and Development Organization
Summit County
175 S. Main Street, Room 211
Akron, Ohio 44308

To the Members of the General Policy Board:

***Report on the Financial Statements***

We have audited the accompanying modified cash-basis financial statements of the business-type activities of Northeast Ohio Four County Regional Planning and Development Organization, Summit County, Ohio (NEFCO), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the NEFCO's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 1 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the NEFCO'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 NEFCO'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 modified cash financial position of the business-type activities of the NEFCO, as of June 30, 2020 and 2019, and the respective changes in modified cash financial position and cash flows thereof for the years then ended in accordance with the accounting basis described in Note 1.

### *Accounting Basis*

We draw attention to Note 1 of the financial statements, which describes the accounting basis. The financial statements are prepared on the modified cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

### *Emphasis of Matter*

As discussed in Note 9 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the NEFCO. We did not modify our opinion regarding this matter.

### *Other Matters*

*Other Information*

Our audit was conducted to opine on the financial statements taken as a whole.

We applied no procedures to management's discussion & analysis or the Schedules of Indirect Costs and Cost Allocation Method as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the NEFCO'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 NEFCO's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

December 18, 2020

The management's discussion and analysis of the Northeast Ohio Four County Regional Planning and Development Organization's (NEFCO) financial performance provides an overall review of NEFCO's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at NEFCO's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of NEFCO's financial performance.

## Financial Highlights

Key financial highlights for 2020 are as follows:

- Net Position was $274,143 at June 30, 2020, a decrease of $66,038 from the prior year.

- Revenues were $374,532 in fiscal year 2020 compared to $608,125 in fiscal year 2019, a decrease of $233,593 or 38 percent.

- NEFCO had $440,570 in expenses in fiscal year 2020 compared to $501,019 in fiscal year 2019, an decrease of $60,449 or 12 percent.

### *Basis of Accounting*

The basis of accounting is a set of guidelines that determine when financial events are recorded. NEFCO has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

## Using this Annual Financial Report

This annual report consists of three parts, the Management's Discussion and Analysis, the Financial Statements and the Notes to the Basic Financial Statements. The financial statements include Statements of Net Position, Statements of Receipts, Expenses, and Changes in Net Position, and Statements of Cash Flows.

## Statements of Net Position

The Statements of Net Position look at how well NEFCO has performed financially from inception through June 30th of each year. These Statements include all of the assets, liabilities, and net position balances using the modified cash basis of accounting, which is the accounting method used by NEFCO.

The following schedule provides a summary of NEFCO's Statement of Net Position for fiscal years ended June 30, 2020, and June 30, 2019.

**Table 1 - Statement of Net Position**

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Current Assets | $ 279,366 | $ 343,455 |
| **Total Assets** | 279,366 | 343,455 |
| **Liabilities** | | |
| Payroll Withholdings | 5,223 | 3,274 |
| **Toal Liabilities** | 5,223 | 3,274 |
| **Net Postion** | | |
| Unrestricted | 274,143 | 340,181 |
| **Total Net Position** | $ 274,143 | $ 340,181 |

Total assets decreased by $64,089 in 2020 and total liabilities increased by $1,949. The decrease in total assets was due to the decrease in cash due to the decrease in grant receipts in fiscal year 2020.

## Statement of Cash Receipts, Expenses, and Changes in Net Position

Table 2 compares NEFCO's 2020, and 2019, receipts, expenses, and changes in net position.

**Table 2 - Cash Receipts, Expenses, and Changes in Net Position**

| | 2020 | 2019 |
|---|---|---|
| **Receipts** | | |
| Federal Grants | $ 77,854 | $ 314,248 |
| State and Local Grants | 97,634 | 76,883 |
| Membership Dues | 196,875 | 214,795 |
| Interest | 2,169 | 2,199 |
| **Total Receipts** | 374,532 | 608,125 |
| | | |
| **Expenses** | | |
| Salaries and Wages | 278,960 | 191,883 |
| Employee Benefits | 95,759 | 65,293 |
| Staff Expenses | 3,929 | 3,347 |
| Office Expenses | 14,382 | 16,457 |
| Contractual Services | 4,225 | 181,524 |
| Occupancy | 31,884 | 34,392 |
| Other Expenses | 11,431 | 8,123 |
| **Total Expenses** | 440,570 | 501,019 |
| Change in Net Position | $ (66,038) | $ 107,106 |

Receipts decreased by $233,593 in fiscal year 2020, primarily due to the decrease in federal grant funds in the amount of $236,394. This decrease is attributed to the closeouts of several grants in FY20 and lower receipts from new grants and grant reimbursements in FY20 as compared to FY19. Total expenses decreased by $60,449, primarily due to the decrease in contractual services in the amount of $177,299, which was offset by the increase in salaries and wages in the amount of $87,077.

## Capital Assets

Because NEFCO is on a modified cash basis, it does not report capital assets.

## Debt

NEFCO has no debt outstanding at the end of fiscal years 2020 and 2019.

**Contacting the Organization's Financial Management**

This financial report is designed to provide our members, grantors, citizens, and creditors with a general overview of NEFCO's finances and to show NEFCO's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Executive Director, Northeast Ohio Four County Regional Planning and Development Organization, 175 South Main Street, Room 211, Akron, Ohio 44308.

**NORTHEAST OHIO FOUR COUNTY REGIONAL**
**PLANNING AND DEVELOPMENT ORGANIZATION**
**SUMMIT COUNTY, OHIO**
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**
**JUNE 30, 2020**

| | |
|---|---|
| **Assets** | |
| Current Assets | |
| Cash | $ 279,366 |
| **Total Assets** | 279,366 |
| | |
| **Liabilities** | |
| Payroll Withholdings | 5,223 |
| **Total Liabilities** | 5,223 |
| | |
| **Net Position** | |
| Unrestricted | 274,143 |
| **Total Net Position** | $ 274,143 |

See accompanying notes to the basic financial statements.

## NORTHEAST OHIO FOUR COUNTY REGIONAL
## PLANNING AND DEVELOPMENT ORGANIZATION
## SUMMIT COUNTY, OHIO
## STATEMENT OF CASH RECEIPTS, EXPENSES, AND CHANGES IN NET POSITION
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | |
|---|---|
| **Operating Receipts** | |
| Federal Grants | $ 77,854 |
| State and Local Grants | 97,634 |
| Membership Dues | 196,875 |
| **Total Receipts** | 372,363 |
| | |
| **Operating Expenses** | |
| Salaries and Wages | 278,960 |
| Employee Benefits | 95,759 |
| Staff Expenses | 3,929 |
| Office Expenses | 14,382 |
| Contractual Services | 4,225 |
| Occupancy | 31,884 |
| Other Expenses | 11,431 |
| **Total Operating Expenses** | 440,570 |
| Operating Loss | (68,207) |
| | |
| **Non-Operating Receipts** | |
| Interest Income | 2,169 |
| **Total Non-Operating Receipts** | 2,169 |
| Net Loss | (66,038) |
| | |
| Net Position at Beginning of Year | 340,181 |
| | |
| **Net Position at End of Year** | $ 274,143 |

See accompanying notes to the basic financial statements.

# NORTHEAST OHIO FOUR COUNTY REGIONAL
# PLANNING AND DEVELOPMENT ORGANIZATION
# SUMMIT COUNTY, OHIO
# STATEMENT OF CASH FLOWS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | |
|---|---|
| **Cash Flows from Operating Activities** | |
| Cash Received from Grants | $ 175,488 |
| Cash Received from Dues | 196,875 |
| Cash Paid for Employee Benefits | (95,759) |
| Cash Payments to Suppliers for Goods and Services | (65,851) |
| Cash Payments to Employees for Services | (277,011) |
| **Net Cash Used In Operating Activities** | (66,258) |
| | |
| **Cash Flows from Investing Activities** | |
| Interest Received | 2,169 |
| **Net Cash Flows from Investing Activities** | 2,169 |
| | |
| Net Decrease in Cash | (64,089) |
| | |
| Cash at Beginning of Year | 343,455 |
| | |
| **Cash at End of Year** | $ 279,366 |
| | |
| **Reconciliation of Operating Loss to Net Cash Used In Operating Activities** | |
| Operating Loss | $ (68,207) |
| Adjustments to Reconcile Operating Income to Net Cash | |
| Used In Operating Activities: | |
| Increase in Operating Liabilities: | |
| Payroll Withholdings | 1,949 |
| Total Adjustments | 1,949 |
| | |
| **Net Cash Used In Operating Activities** | $ (66,258) |

See accompanying notes to the basic financial statements.

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## NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### A. **Description of the Entity**

The Northeast Ohio Four County Regional Planning and Development Organization, Summit County, (NEFCO) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. NEFCO is directed by a 38 member Board. NEFCO was formed as a Regional Council of Governments by the elected officials within the counties of Portage, Stark, Summit, and Wayne, pursuant to Chapter 167 of the Ohio Revised Code. Its purpose is to foster a cooperative effort in regional planning and programming, and the implementation of regional plans and programs. NEFCO is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policies and actions and related recommendations.

NEFCO is supported by grants and by local dues paid by various political subdivisions served; such local dues are generally assessed at $.18 per capita per year. These dues serve as the primary local matching sources for certain federal and state grants.

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

### B. **Basis of Accounting**

NEFCO prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. In addition, NEFCO is recognizing payroll withholdings as a liability.

### C. **Basis of Presentation**

NEFCO adopted the enterprise basis of presentation effective July 1, 2008. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses of providing goods or services to the general public on a continuing basis) be financed or recovered primarily through user charges or where it has been decided that periodic determination of receipts, expenses and/or net income is appropriate for public policy, management control, accountability, or other purposes.

### D. **Property, Plant and Equipment**

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and compensatory time. Unpaid leave is not reflected as a liability under the basis of accounting NEFCO uses.

F. **Net Position**

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NEFCO applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

NOTE 2: **CHANGE IN ACCOUNTING PRINCIPLES**

During the fiscal year, NEFCO implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61).* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain component units. The implementation of this Statement did not have an effect on the financial statements of NEFCO.

GASB Statement No. 84, *Fiduciary Activities.* This Statement 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. The implementation of this Statement did not have an effect on the financial statements of NEFCO.

NOTE 3: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

State statutes classify monies held by the Northeast Ohio Four County Regional Planning and Development Organization into three categories.

*Active Monies* - Those monies required to be kept in a "cash" or "near-cash" status for immediate use by NEFCO. Such monies must be maintained either as cash in NEFCO's Treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

NOTE 3: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS** (Continued)

*Inactive Monies* - Those monies not required for use within the current five year period of designation of depositories. Inactive deposits may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit account including, but not limited to, passbook accounts.

*Interim Monies* - 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.

**Deposits -** At June 30, 2020, the carrying amount of NEFCO's deposits was $279,366. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2020, $278,052 of NEFCO's bank balance of $279,471 was covered by Federal Depository Insurance and $991 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the NEFCO, and $428 was uninsured and uncollateralized. NEFCO's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

Custodial credit risk for deposits is the risk that in the event of bank failure, NEFCO will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of NEFCO's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

> Eligible securities pledged to NEFCO and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or 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 institutions. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of NEFCO's financial institutions had enrolled in OPCS as of June 30, 2020.

**Investments -** NEFCO had no investments at June 30, 2020.

## NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

***Net Pension Liability***

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

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

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

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

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

NEFCO employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., NEFCO 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.

NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (**Continued)

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

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

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

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

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

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

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

NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (**Continued)

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

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

| | State and Local |
|---|---|
| **2019-2020 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee * | 10.0 % |
| | |
| **2019-2020 Actual Contribution Rates** | |
| Employer: | |
| Pension ** | 14.0 % |
| Post-Employment Health Care Benefits ** | 0.0 % |
| Total Employer | 14.0 % |
| | |
| Employee | 10.0 % |

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. NEFCO’s contractually required contributions was $38,665 for fiscal year ending June 30, 2020.

***Net Pension Liability***

The net pension liability/asset for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. The NEFCO's proportion of the net pension liability/asset was based on the NEFCO's share of contributions to the pension plan relative to the contributions of all participating entities.

NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (**Continued)

***Net Pension Liability***

Following is information related to the proportionate share and pension expense:

| | OPERS Traditional Pension Plan |
|---|---|
| Proportion of the Net Pension Liability/Asset Prior Measurement Date | 0.001566% |
| Proportion of the Net Pension Liability/Asset Current Measurement Date | 0.001518% |
| Change in Proportionate Share | -0.000048% |
| Proportionate Share of the Net Pension Liability/(Asset) | $ 300,043 |

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

| | |
|---|---|
| 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 1/7/2013 retirees; 3 percent, simple<br>Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple |
| Investment Rate of Return | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age |

NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (**Continued)

***Actuarial Assumptions - OPERS***

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 previously described tables.

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

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.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, 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 investments 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 benefit pension plans.

NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (**Continued)

***Actuarial Assumptions - OPERS***

The table below displays the Board-approved asset allocation policy for 2019 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, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of NEFCO's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents NEFCO's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what NEFCO'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%) |
|---|---|---|---|
| NEFCO's proportionate share of the net pension liability | $ 494,868 | $ 300,043 | $ 124,901 |

NOTE 5: **DEFINED BENEFIT OPEB PLAN**

***Net OPEB Liability***

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

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

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

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

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

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 refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

NOTE 5: **DEFINED BENEFIT OPEB PLAN(**Continued)

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

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

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. NEFCO 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. During 2019, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019-2020, 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar years 2019-2020. 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 2019-2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. NEFCO did not have any contributions for fiscal year ending June 30, 2020.

NOTE 5: **DEFINED BENEFIT OPEB PLAN(**Continued)

***Net OPEB Liability***

The net OPEB liability and total OPEB liability 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. NEFCO's proportion of the net OPEB liability was based on NEFCO's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | OPERS |
|---|---|
| Proportion of the Net OPEB Liability: | |
| Prior Measurement Date | 0.001459% |
| Proportion of the Net OPEB Liability: | |
| Current Measurement Date | 0.001413% |
| Change in Proportionate Share | -0.000046% |
| Proportionate Share of the Net OPEB Liability | $ 195,172 |

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2018. 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 | 3.96 percent |
| Prior Measurement date | 3.85 percent |
| Investment Rate of Return | 6.00 percent |
| Municipal Bond Rate | 3.71 percent |
| Health Care Cost Trend Rate | 10.0 percent, initial<br>3.25 percent, ultimate in 2029 |
| Actuarial Cost Method | Individual Entry Age |

NOTE 5: **DEFINED BENEFIT OPEB PLAN(**Continued)

***Actuarial Assumptions – OPERS***

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 June 30, 2015.

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

During 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, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested for the Health Care portfolio was 19.70 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit.

NOTE 5: **DEFINED BENEFIT OPEB PLAN(**Continued)

***Actuarial Assumptions – OPERS***

The table below displays the Board-approved asset allocation policy for 2019 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 | 36.00 % | 1.53 % |
| Domestic Equities | 21.00 | 5.75 |
| Real Estate Investment Trust | 6.00 | 5.69 |
| 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 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.

NOTE 5: **DEFINED BENEFIT OPEB PLAN (**Continued)

***Actuarial Assumptions – OPERS***

***Sensitivity of NEFCO's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The following table presents NEFCO's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what NEFCO'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%) |
|---|---|---|---|
| NEFCO's proportionate share of the net OPEB liability | $255,414 | $195,172 | $146,938 |

***Sensitivity of the NEFCO'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 |
|---|---|---|---|
| NEFCO's proportionate share of the net OPEB liability | $189,413 | $195,172 | $200,858 |

NOTE 6: **RISK MANAGEMENT**

NEFCO is exposed to various risks of loss related to torts; theft and damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties: a) general liability and casualty, and b) public officials' liability.

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

NEFCO also provides health insurance and dental and vision, flex spending, and life insurance coverage for full-time employees through Summit County.

NOTE 7: **CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

NOTE 8: **OPERATING LEASE**

NEFCO has an operating lease agreement with Summit County for use of property. The premise serves as the office location of NEFCO. NEFCO executed the operating lease agreement in August 2019, by Board action, for 5 years at the amount of $2,510 per month. The County is responsible for the interior and exterior maintenance and repairs, utilities, and insurance for risk of fire and malicious mischief. NEFCO is responsible for telephone service, inspections and/or permits, and comprehensive general liability insurance.

NOTE9: **SUBSEQUENT EVENT**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of NEFCO; however, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on NEFCO's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

# NORTHEAST OHIO FOUR COUNTY REGIONAL
# PLANNING AND DEVELOPMENT ORGANIZATION
# SUMMIT COUNTY, OHIO
# SCHEDULE OF INDIRECT COSTS AND COST ALLOCATION METHOD
# JUNE 30, 2020

Indirect costs were distributed to projects and activities pursuant to a method of allocation required by the Office of Management and Budget Title 2 U.S. Code of Federal Regulations, Part 200.

The indirect cost allocation rate for the fiscal year ended June 30, 2020 was as follows:

| | | | |
|---|---|---|---|
| A. | Indirect Costs for all Projects | $ | 143,026 |
| B. | Total Direct Salaries and Fringes | | 297,407 |
| C. | Allocation Percentage (A/B) | | 48.09% |

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2020:

| | | |
|---|---|---|
| Indirect Payroll (including Compensated Time) | $ | 54,428 |
| Indirect Payroll (Vacation/Sick/Holiday) | | 23,014 |
| Travel | | 3,167 |
| Insurance | | 1,762 |
| Memberships | | 9,439 |
| Professional Fees (Legal, Audit, Accounting) | | 4,225 |
| Copying | | 458 |
| Equipment Rental | | 2,042 |
| Office Supplies | | 1,233 |
| Meeting Expense | | 632 |
| Postage | | 668 |
| Advertising | | 395 |
| Subscriptions | | 4,039 |
| Computer Supplies and Equipment | | 5,660 |
| Services Charges | | 169 |
| Office Rent | | 30,122 |
| Internet Access/Website | | 333 |
| Payroll Processing Charges | | 312 |
| Storage | | 928 |
| **Total Indirect Costs** | $ | 143,026 |

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The management's discussion and analysis of the Northeast Ohio Four County Regional Planning and Development Organization's (NEFCO) financial performance provides an overall review of NEFCO's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at NEFCO's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of NEFCO's financial performance.

## Financial Highlights

Key financial highlights for 2019 are as follows:

- Net Position was $340,181 at June 30, 2019, an increase of $107,106 from the prior year.

- Revenues were $608,125 in fiscal year 2019 compared to $519,530 in fiscal year 2018, an increase of $88,595 or 17 percent.

- NEFCO had $501,019 in expenses in fiscal year 2019 compared to $469,240 in fiscal year 2018, an increase of $31,779 or 7 percent.

### *Basis of Accounting*

The basis of accounting is a set of guidelines that determine when financial events are recorded. NEFCO has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

## Using this Annual Financial Report

This annual report consists of three parts, the Management's Discussion and Analysis, the Financial Statements and the Notes to the Basic Financial Statements. The financial statements include Statements of Net Position, Statements of Receipts, Expenses, and Changes in Net Position, and Statements of Cash Flows.

## Statements of Net Position

The Statements of Net Position look at how well NEFCO has performed financially from inception through June 30th of each year. These Statements include all of the assets, liabilities, and net position balances using the modified cash basis of accounting, which is the accounting method used by NEFCO.

The following schedule provides a summary of NEFCO's Statement of Net Position for fiscal years ended June 30, 2019, and June 30, 2018.

**Table 1 - Statement of Net Position**

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Current and Other Assets | $ 343,455 | $ 237,105 |
| **Total Assets** | 343,455 | 237,105 |
| | | |
| **Liabilities** | | |
| Payroll Withholdings | 3,274 | 4,030 |
| **Toal Liabilities** | 3,274 | 4,030 |
| | | |
| **Net Postion** | | |
| Unrestricted | 340,181 | 233,075 |
| **Total Net Position** | $ 340,181 | $ 233,075 |

Total assets increased by $106,350 in 2019 and total liabilities decreased by $756. The increase in total assets was due to normal operations.

**Statement of Cash Receipts, Expenses, and Changes in Net Position**

Table 2 compares NEFCO's 2019, and 2018, receipts, expenses, and changes in net position.

**Table 2 - Cash Receipts, Expenses, and Changes in Net Position**

| | 2019 | 2018 |
|---|---|---|
| **Receipts** | | |
| Federal Grants | $ 314,248 | $227,670 |
| State and Local Grants | 76,883 | 73,118 |
| Membership Dues | 214,795 | 218,373 |
| Interest | 2,199 | 369 |
| **Total Receipts** | 608,125 | 519,530 |
| | | |
| **Expenses** | | |
| Salaries and Wages | 191,883 | 213,044 |
| Employee Benefits | 65,293 | 76,094 |
| Staff Expenses | 3,347 | 4,300 |
| Office Expenses | 16,457 | 12,889 |
| Contractual Services | 181,524 | 122,765 |
| Occupancy | 34,392 | 35,119 |
| Other Expenses | 8,123 | 5,011 |
| Interest Expense | - | 18 |
| **Total Expenses** | 501,019 | 469,240 |
| Change in Net Position | $ 107,106 | $ 50,290 |

Receipts increased by $88,595 in fiscal year 2019, primarily due to the increase in federal grant funds in the amount of $86,578. Total expenses increased by $31,779, primarily due to the increase in contractual services in the amount of $58,759, which was offset by the decrease in salaries and wages in the amount of $21,161.

**Capital Assets**

Because NEFCO is on a modified cash basis, it does not report capital assets.

**Debt**

NEFCO has no debt outstanding at the end of fiscal years 2019 and 2018.

## Contacting the Organization's Financial Management

This financial report is designed to provide our members, grantors, citizens, and creditors with a general overview of NEFCO's finances and to show NEFCO's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Executive Director, Northeast Ohio Four County Regional Planning and Development Organization, 175 South Main Street, Room 211, Akron, Ohio 44308.

**NORTHEAST OHIO FOUR COUNTY REGIONAL**
**PLANNING AND DEVELOPMENT ORGANIZATION**
**SUMMIT COUNTY, OHIO**
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**
**JUNE 30, 2019**

| | |
|---|---|
| **Assets** | |
| Current Assets | |
| Cash | $ 343,455 |
| **Total Assets** | 343,455 |
| | |
| **Liabilities** | |
| Payroll Withholdings | 3,274 |
| **Total Liabilities** | 3,274 |
| | |
| **Net Position** | |
| Unrestricted | 340,181 |
| **Total Net Position** | $ 340,181 |

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO FOUR COUNTY REGIONAL**
**PLANNING AND DEVELOPMENT ORGANIZATION**
**SUMMIT COUNTY, OHIO**
**STATEMENT OF CASH RECEIPTS, EXPENSES, AND CHANGES IN NET POSITION**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | |
|---|---|
| **Operating Receipts** | |
| Federal Grants | $ 314,248 |
| State and Local Grants | 76,883 |
| Membership Dues | 214,795 |
| **Total Receipts** | 605,926 |
| | |
| **Operating Expenses** | |
| Salaries and Wages | 191,883 |
| Employee Benefits | 65,293 |
| Staff Expenses | 3,347 |
| Office Expenses | 16,457 |
| Contractual Services | 181,524 |
| Occupancy | 34,392 |
| Other Expenses | 8,123 |
| **Total Operating Expenses** | 501,019 |
| Operating Income | 104,907 |
| | |
| **Non-Operating Receipts** | |
| Interest Income | 2,199 |
| **Total Non-Operating Receipts** | 2,199 |
| Net Income | 107,106 |
| | |
| Net Position at Beginning of Year | 233,075 |
| | |
| **Net Position at End of Year** | $ 340,181 |

See accompanying notes to the basic financial statements.

## NORTHEAST OHIO FOUR COUNTY REGIONAL
## PLANNING AND DEVELOPMENT ORGANIZATION
## SUMMIT COUNTY, OHIO
## STATEMENT OF CASH FLOWS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | |
|---|---|
| **Cash Flows from Operating Activities** | |
| Cash Received from Grants | $ 391,131 |
| Cash Received from Dues | 214,795 |
| Cash Paid for Employee Benefits | (65,293) |
| Cash Payments to Suppliers for Goods and Services | (243,843) |
| Cash Payments to Employees for Services | (192,639) |
| **Net Cash From Operating Activities** | 104,151 |
| | |
| **Cash Flows from Investing Activities** | |
| Interest Received | 2,199 |
| **Net Cash Flows from Investing Activities** | 2,199 |
| | |
| Net Increase in Cash | 106,350 |
| | |
| Cash at Beginning of Year | 237,105 |
| | |
| **Cash at End of Year** | $ 343,455 |
| | |
| **Reconciliation of Operating Income to Net Cash From in Operating Activities** | |
| Operating Income | $ 104,907 |
| Adjustments to Reconcile Operating Income to Net Cash | |
| From in Operating Activities: | |
| Decrease in Operating Liabilities: | |
| Payroll Withholdings | (756) |
| Total Adjustments | (756) |
| | |
| **Net Cash From Operating Activities** | $ 104,151 |

See accompanying notes to the basic financial statements.

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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Description of the Entity

The Northeast Ohio Four County Regional Planning and Development Organization, Summit County, (NEFCO) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. NEFCO is directed by a 38 member Board. NEFCO was formed as a Regional Council of Governments by the elected officials within the counties of Portage, Stark, Summit, and Wayne, pursuant to Chapter 167 of the Ohio Revised Code. Its purpose is to foster a cooperative effort in regional planning and programming, and the implementation of regional plans and programs. NEFCO is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policies and actions and related recommendations.

NEFCO is supported by grants and by local dues paid by various political subdivisions served; such local dues are generally assessed at $.18 per capita per year. These dues serve as the primary local matching sources for certain federal and state grants.

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

### B. Basis of Accounting

NEFCO prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. In addition, NEFCO is recognizing payroll withholdings as a liability.

### C. Basis of Presentation

NEFCO adopted the enterprise basis of presentation effective July 1, 2008. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses of providing goods or services to the general public on a continuing basis) be financed or recovered primarily through user charges or where it has been decided that periodic determination of receipts, expenses and/or net income is appropriate for public policy, management control, accountability, or other purposes.

### D. Property, Plant and Equipment

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and compensatory time. Unpaid leave is not reflected as a liability under the basis of accounting NEFCO uses.

F. **Net Position**

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NEFCO applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

NOTE 2: **CHANGE IN ACCOUNTING PRINCIPLES**

During the fiscal year, NEFCO implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The implementation of this Statement did not have an effect on the financial statements of the NEFCO.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this Statement did not have an effect on the financial statements of NEFCO.

NOTE 3: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

State statutes classify monies held by the Northeast Ohio Four County Regional Planning and Development Organization into three categories.

*Active Monies* - Those monies required to be kept in a “cash” or “near-cash” status for immediate use by NEFCO. Such monies must be maintained either as cash in NEFCO’s Treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

NOTE 3: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS** (Continued)

*Inactive Monies* - Those monies not required for use within the current five year period of designation of depositories. Inactive deposits may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit account including, but not limited to, passbook accounts.

*Interim Monies* - 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.

**Deposits -** At June 30, 2019, the carrying amount of NEFCO's deposits was $343,455. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2019, $278,462 of NEFCO's bank balance of $343,994 was covered by Federal Depository Insurance and $42,541 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the NEFCO, and $22,991 was uninsured and uncollateralized. NEFCO's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

Custodial credit risk for deposits is the risk that in the event of bank failure, NEFCO will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of NEFCO's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

> Eligible securities pledged to NEFCO and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or 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 institutions. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of NEFCO's financial institutions had enrolled in OPCS as of June 30, 2019.

**Investments -** NEFCO had no investments at June 30, 2019.

## NOTE 4: OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

***Plan Description Net Pension Liability***

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

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

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

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

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

NEFCO employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., NEFCO 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.

NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (**Continued)

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

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

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

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

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

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

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

NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (**Continued)

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

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

| | State and Local |
|---|---|
| **2019 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee * | 10.0 % |
| | |
| **2019 Actual Contribution Rates** | |
| Employer: | |
| Pension ** | 14.0 % |
| Post-Employment Health Care Benefits ** | 0.0 % |
| Total Employer | 14.0 % |
| | |
| Employee | 10.0 % |

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

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

NEFCO's contractually required contributions was $19,490 for fiscal year ending June 30, 2019.

***Net Pension Liability***

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

NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (**Continued)

***Net Pension Liability***

Following is information related to the proportionate share and pension expense:

| | OPERS Traditional Pension Plan |
|---|---|
| Proportion of the Net Pension Liability/Asset Prior Measurement Date | 0.001561% |
| Proportion of the Net Pension Liability/Asset Current Measurement Date | 0.001566% |
| Change in Proportionate Share | 0.000005% |
| Proportionate Share of the Net Pension Liability/(Asset) | $ 428,896 |

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

| | |
|---|---|
| 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 1/7/2013 retirees; 3 percent, simple<br>Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple |
| Investment Rate of Return | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age |

NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (**Continued)

***Actuarial Assumptions - OPERS***

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

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

The long-term 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.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, 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 investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

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 benefit pension plans.

NOTE 4: **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (**Continued)

***Actuarial Assumptions - OPERS***

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 | 23.00 % | 2.79 % |
| Domestic Equities | 19.00 | 6.21 |
| Real Estate | 10.00 | 4.90 |
| Private Equity | 10.00 | 10.81 |
| International Equities | 20.00 | 7.83 |
| Other investments | 18.00 | 5.50 |
| Total | 100.00 % | 5.95 % |

***Discount Rate*** The discount rate used to measure the total pension liability was 7.2 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of NEFCO's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents NEFCO's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what NEFCO'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%) |
|---|---|---|---|
| NEFCO's proportionate share of the net pension liability | $633,604 | $428,896 | $258,782 |

NOTE 5: **DEFINED BENEFIT OPEB PLAN**

***Plan Description-Net OPEB Liability***

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

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

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

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

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

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 refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

NOTE 5: **DEFINED BENEFIT OPEB PLAN(**Continued)

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 remained at 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

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

NEFCO's contractually required contribution was $7,796 for fiscal year ending June 30, 2019.

NOTE 5: **DEFINED BENEFIT OPEB PLAN(**Continued)

***Net OPEB Liability***

The net OPEB liability and total OPEB liability were determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. NEFCO's proportion of the net OPEB liability was based on NEFCO's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | OPERS |
|---|---|
| Proportion of the Net OPEB Liability: | |
| Prior Measurement Date | 0.001460% |
| Proportion of the Net OPEB Liability: | |
| Current Measurement Date | 0.001459% |
| Change in Proportionate Share | -0.000001% |
| Proportionate Share of the Net OPEB Liability | $ 190,219 |

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. 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, | 3.25 to 10.75 percent |
| including inflation | including wage inflation |
| Single Discount Rate: | |
| Current measurement date | 3.96 percent |
| Prior Measurement date | 3.85 percent |
| Investment Rate of Return | 6.00 percent |
| Municipal Bond Rate | 3.71 percent |
| Health Care Cost Trend Rate | 10.0 percent, initial |
| | 3.25 percent, ultimate in 2029 |
| Actuarial Cost Method | Individual Entry Age |

NOTE 5: **DEFINED BENEFIT OPEB PLAN(**Continued)

***Actuarial Assumptions – OPERS***

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 June 30, 2015.

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit.

NOTE 5: **DEFINED BENEFIT OPEB PLAN(**Continued)

***Actuarial Assumptions – OPERS***

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 | 34.00 % | 2.42 % |
| Domestic Equities | 21.00 | 6.21 |
| Real Estate Investment Trust | 6.00 | 5.98 |
| International Equities | 22.00 | 7.83 |
| Other investments | 17.00 | 5.57 |
| Total | 100.00 % | 5.16 % |

***Discount Rate*** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of June 30, 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 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 3.71 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

NOTE 5: **DEFINED BENEFIT OPEB PLAN(**Continued)

***Actuarial Assumptions – OPERS***

***Sensitivity of NEFCO's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The following table presents NEFCO's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what NEFCO's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

| | 1% Decrease (2.96%) | Current Discount Rate (3.96%) | 1% Increase (4.96%) |
|---|---|---|---|
| NEFCO's proportionate share of the net OPEB liability | $243,631 | $190,219 | $147,957 |

***Sensitivity of the NEFCO'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 2019 is 10.0 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|---|---|---|
| NEFCO's proportionate share of the net OPEB liability | $182,842 | $190,219 | $198,716 |

## NOTE 6: RISK MANAGEMENT

NEFCO is exposed to various risks of loss related to torts; theft and damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties: a) general liability and casualty, and b) public officials' liability.

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

NEFCO also provides health insurance and dental and vision, flex spending, and life insurance coverage for full-time employees through Summit County.

## NOTE 7: CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

## NOTE 8: OPERATING LEASE

NEFCO has an operating lease agreement with Summit County for use of property. The premise serves as the office location of NEFCO. NEFCO executed the operating lease agreement in August 2014, by Board action, for 5 years at the amount of $2,510 per month. The County is responsible for the interior and exterior maintenance and repairs, utilities, and insurance for risk of fire and malicious mischief. NEFCO is responsible for telephone service, inspections and/or permits, and comprehensive general liability insurance.

# NORTHEAST OHIO FOUR COUNTY REGIONAL
# PLANNING AND DEVELOPMENT ORGANIZATION
# SUMMIT COUNTY, OHIO
# SCHEDULE OF INDIRECT COSTS AND COST ALLOCATION METHOD
# JUNE 30, 2019

Indirect costs were distributed to projects and activities pursuant to a method of allocation required by the Office of Management and Budget Title 2 U.S. Code of Federal Regulations, Part 200.

The indirect cost allocation rate for the fiscal year ended June 30, 2019 was as follows:

| | | | |
|---|---|---|---|
| A. | Indirect costs for all projects | $ | 124,982 |
| B. | Total direct salaries and fringes | | 205,674 |
| C. | Allocation Percentage (A/B) | | 60.77% |

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2019:

| | | |
|---|---|---|
| Indirect Payroll (including Compensated Time) | $ | 30,524 |
| Indirect Payroll (vacation/sick/holiday) | | 21,398 |
| Telephone | | 2,021 |
| Travel | | 963 |
| Insurance | | 2,249 |
| Membership | | 1,439 |
| Professional Fees (legal, audit) | | 18,871 |
| Interest | | 704 |
| Equipment Maintenance | | 717 |
| Equipment Rental | | 1,920 |
| Office Supplies | | 1,135 |
| Meeting Expense | | 500 |
| Postage | | 1,100 |
| Advertising | | 91 |
| Subscriptions | | 4,090 |
| Computer Supplies and Equipment | | 5,464 |
| Service Charges | | 294 |
| Office Rent | | 30,122 |
| Internet Access/Website | | 377 |
| Payroll Processing Charges | | 253 |
| Storage | | 750 |
| **Total Indirect Costs** | $ | 124,982 |

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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 Four County Regional Planning and Development Organization
Summit County
175 S. Main Street, Room 211
Akron, Ohio 44308

To the Members of the General Policy Board:

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 the business-type activities of the Northeast Ohio Four County Regional Planning and Development Organization, Summit, (NEFCO) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the NEFCO's basic financial statements and have issued our report thereon dated December 18, 2020, wherein we noted NEFCO uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the NEFCO.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered NEFCO's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion**(s)** on the financial statements, but not to the extent necessary to opine on the effectiveness of NEFCO'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 NEFCO'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 NEFCO'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 NEFCO's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering NEFCO's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

December 18, 2020

OHIO AUDITOR OF STATE
**KEITH FABER**

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION**

**SUMMIT 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 2/18/2021**

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