



**EASTGATE REGIONAL COUNCIL OF  
GOVERNMENTS  
MAHONING COUNTY**

**SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2021**



OHIO AUDITOR OF STATE  
KEITH FABER



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

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

April 18, 2022

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**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**

*Mahoning County*

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## INDEPENDENT AUDITOR'S REPORT

Eastgate Regional Council of Governments  
Mahoning County  
City Center One Building  
100 East Federal Street, Suite 1000  
Youngstown, Ohio 44503

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of Eastgate Regional Council of Governments (Council), Mahoning County, Youngstown, Ohio as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of Eastgate Regional Council of Governments (Council), Mahoning County, Youngstown, Ohio, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Council. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary and Other Information***

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

The Schedules of Fringe Benefits and Computation of Fringe Benefits Rates, Indirect Costs and Computation of Indirect Cost Rates, and Revenues and Expenditures for ODOT, U.S. Department of Commerce, EPA and Appalachian Regional Development present additional analysis and are not a required part of the basis financial statements.

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

This schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements.



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

We did not subject The Schedules of Fringe Benefits and Computation of Fringe Benefits Rates, Indirect Costs and Computation of Indirect Cost Rates, and Revenues and Expenditures for ODOT, U.S. Department of Commerce, EPA and Appalachian Regional Development to the auditing procedures applied in the audit of the basis financial statements and, 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 January 27, 2022, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



CANTER & ASSOCIATES

Poland, Ohio  
January 27, 2022

# EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021*

(Unaudited)

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The discussion and analysis of Eastgate Regional Council of Governments (Eastgate) financial performance provides an overall review of Eastgate's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at Eastgate's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements, themselves to enhance their understanding of Eastgate's financial performance.

## **Financial Highlights**

Key financial highlights for fiscal year 2021 are as follows:

*Overall:*

- For business-type activities, net position increased \$2,802,942 to \$3,766,153 from fiscal year 2020.
- Eastgate had \$2,162,483 in operating expenses related to business-type activities and \$445,350 of these expenses were offset by operating revenues and \$4,520,075 by non-operating revenues (expenses).
- The business-type activities revenue decreased \$433,489 or 8% to \$4,965,425.

## **Using this financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Eastgate Regional Council of Governments as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* presents information on all Eastgate's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of Eastgate's financial position.

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents information showing how Eastgate's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**

Mahoning County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021*

(Unaudited)

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**Reporting Eastgate as a Whole**

*Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position*

While this document contains the fund used by Eastgate to provide its programs, the view of Eastgate as a whole looks at all financial transactions and asks the question, “How did we do financially during 2021?” The statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position answers this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report Eastgate’s *net position* and changes in that position. This change in net position is important because it tells the reader that, for Eastgate as a whole, the *financial position* of Eastgate has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the continued availability of grants, at the federal, state and local levels.

In the statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net position, Eastgate is presented as one activity, business-type.

- Business-type activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

**Reporting Eastgate’s Fund**

***Fund Financial Statements***

Eastgate has only one fund; therefore, additional fund level statements are not presented.

**Eastgate as a Whole**

***Business-type activities***

Table 1 shows net position for fiscal years 2021 and 2020 for comparison purposes.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**

Mahoning County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021*

(Unaudited)

**Table 1**

Business-Type Activities

	<u>2021</u>	<u>2020</u>
Assets		
Current and Other Assets	\$ 7,585,103	\$ 3,928,572
Capital Assets	71,036	91,812
Total Assets	<u>\$ 7,656,139</u>	<u>\$ 4,020,384</u>
Deferred Outflows of Resources		
Pension	65,510	166,997
OPEB	62,708	151,823
Total Deferred Outflows of Resources	<u>\$ 128,218</u>	<u>\$ 318,820</u>
Liabilities		
Long-term Liabilities		
Net Pension/OPEB Liabilities-	\$ 1,076,381	\$ 2,341,027
Other Amounts	238,742	218,904
Other Liabilities	1,780,445	346,899
Total Liabilities	<u>\$ 3,095,568</u>	<u>\$ 2,906,830</u>
Deferred Inflows of Resources		
Pension	491,046	297,706
OPEB	431,590	171,457
Total Deferred Outflows of Resources	<u>\$ 922,636</u>	<u>\$ 469,163</u>
Net Position		
Net Investment in Capital Assets	\$ 71,036	\$ 91,812
Restricted	1,501,936	-
Unrestricted Net Position	2,193,181	871,399
Total Net Position	<u>\$ 3,766,153</u>	<u>\$ 963,211</u>

Total assets increased 90% in fiscal year 2021. This increase occurred mainly due to pass through funds received for grants of local communities resulting in an increase to cash and cash equivalents on hand.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**

Mahoning County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021*

(Unaudited)

What are Eastgate's Revenue Sources? Eastgate receives much of its revenue from operating grants. Sources of these grants are federal, state and local. Eastgate has multiple functions, with the major being transportation planning, all revenue is used to support its mission.

**Table 2**  
Business-Type Activities

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUE</b>		
Membership Dues	\$ 219,732	\$ 219,732
Charges for Services	224,952	163,000
Miscellaneous	666	4,257
Total Operating Revenue	<u>445,350</u>	<u>386,989</u>
<b>OPERATING EXPENSES</b>		
Salaries & Benefits	1,161,791	1,208,668
Other Expenses	1,305,921	1,523,929
General Administrative & Fiscal Costs	299,221	260,333
Occupancy	123,588	122,756
Depreciation	20,776	25,175
Unallocated Pension & OPEB Expense	<u>(748,814)</u>	<u>276,465</u>
Total Operating Expenses	<u>2,162,483</u>	<u>3,417,326</u>
Operating Income (Loss)	<u>(1,717,133)</u>	<u>(3,030,337)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>		
Intergovernmental	4,508,408	5,003,329
Interest Income	<u>11,667</u>	<u>8,596</u>
Total Non-Operating Revenue (Expense)	<u>4,520,075</u>	<u>5,011,925</u>
Changes in Net Position	2,802,942	1,981,588
Net Position (Deficit) Beginning of Year	<u>963,211</u>	<u>(1,018,377)</u>
Net Position End of Year	<u>\$ 3,766,153</u>	<u>\$ 963,211</u>

Table 2 shows the change in net position for fiscal years 2021 and 2020 for comparison purposes.

In fiscal year 2021, revenues increased due to increases in federal, state and local grant revenues and also a slight increase in charges for services. Expenditures decreased from fiscal year 2021, due mostly to pension and OPEB liability decreases.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**

Mahoning County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021*

(Unaudited)

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***Enterprise Fund Budgeting Highlights***

Eastgate is not required to establish a budget per Ohio Revised Code.

***Capital Assets and Debt Administration***

At the end of the fiscal year 2021, Eastgate had \$71,036 (net) invested in equipment, furniture and fixtures.

**GASB 68 NET PENSION LIABILITY and GASB 75 OPEB LIABILITY**

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68 and GASB 75 require the net pension liability and OPEB liability to equal Eastgate's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, Eastgate is not responsible for certain key factors affecting the balance of this liability.

# EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021*

(Unaudited)

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In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or OPEB liability.

As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, Eastgate's statements are prepared on an accrual basis of accounting include an annual pension expense and OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

## **Current Financial Related Activities**

Eastgate receives its funding from the Federal Highway Administration, the Federal Transit Administration, the Ohio Department of Transportation, the Ohio Public Works Commission, Mahoning, Trumbull and Columbiana Counties, and numerous public entities within the counties. Grants for fiscal years 2021 and 2022 appear certain.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**

Mahoning County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021*

(Unaudited)

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**Contacting Eastgate's Financial Management**

This financial report is designed to provide our citizen's, taxpayers and grantors with a general overview of Eastgate's finances and to show Eastgate's accountability for the monies it receives. If you have questions about this report or need additional financial information contact Michele Ballone at Eastgate Regional Council of Governments, City Center One Building, 100 East Federal Street, Suite 1000, Youngstown, Ohio 44503.



**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

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**ASSETS**

Cash & Cash Equivalents	\$ 5,438,275
Restricted Cash	1,501,936
Accounts Receivable	471,059
Prepaid Expenses	46,290
Net OPEB Asset	127,543
Property and Equipment (net)	<u>71,036</u>
 Total Assets	 <u>7,656,139</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension	\$ 65,510
OPEB	<u>62,708</u>
 Total Deferred Outflows of Resources	 <u>128,218</u>

**LIABILITIES**

Accounts Payable	\$ 97,024
Payroll Withholding	17,828
Accrued Payroll	22,926
Fringe Benefits	16,147
Payroll Liabilities	14,718
Unearned Revenue	1,611,802
Long-term Liabilities:	
Net Pension Liability	1,076,381
Due Within One Year	80,370
Due in more than One Year	<u>158,372</u>
 Total Liabilities	 <u>3,095,568</u>

**DEFERRED INFLOW OF RESOURCES**

Pension	\$ 491,046
OPEB	<u>431,590</u>
 Total Deferred Inflows of Resources	 <u>922,636</u>

**NET POSITION**

Net Investment in Capital Assets	\$ 71,036
Restricted	1,501,936
Unrestricted	<u>2,193,181</u>
 Total Net Position	 <u>\$ 3,766,153</u>

*The notes to the financial statements are an integral part of these statement.*

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021**

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**OPERATING REVENUE**

Membership Due	\$ 219,732
Charges for Services	224,952
Miscellaneous	<u>666</u>
 Total Operating Revenue	 <u>445,350</u>

**OPERATING EXPENSES**

Salaries	785,248
Other Expenses	299,221
General Administrative and Fiscal Costs	138,011
Computer Updates	37,005
Travel	895
Telephone	8,214
Duplicating and Printing	4,034
Machine Rental and Maintenance	1,578
Office Supplies	9,690
Occupancy	123,588
Professional Services	21,254
Miscellaneous	88
Depreciation	20,776
USGS Pass-through	908,469
Paid Leave	200,725
Hospitalization	175,818
Payroll Taxes	176,555
Repairs and Maintenance	128
Unallocated Pension Expense	(75,163)
Unallocated OPEB Expense	<u>(673,651)</u>
 Operating Expenses	 <u>2,162,483</u>
 Operating Income (Loss)	 <u>(1,717,133)</u>

**NON-OPERATING REVENUE (EXPENSE)**

Intergovernmental	4,508,408
Interest Income	<u>11,667</u>
 Total Non-Operating Revenue (Expense)	 <u>4,520,075</u>
 Change in Net Position	 2,802,942
 Net Position Beginning of Year	 <u>963,211</u>
 Net Position End of Year	 <u>\$ 3,766,153</u>

*The notes to the financial statements are an integral part of these statements.*

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from Customers	\$ 444,684
Cash Payments to Employees for Services	(785,248)
Cash Payments to Employee Benefits	(552,398)
Cash Payments for Goods and Services	53,933
Other Cash Payments	<u>(1,398,068)</u>

*Net Cash Provided by (Used in) Operating Activities* (2,237,097)

**Cash Flows from Noncapital Financing Activities**

Grants Received	<u>5,900,478</u>
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*Net Cash Provided by (Used by) Noncapital Financing Activities* 5,900,478

**Cash Flows from Investing Activities**

Interest on Investments	<u>11,667</u>
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*Net Increase (Decrease) in Cash and Cash Equivalents* 3,675,048

*Cash and Cash Equivalents Beginning of Year* 3,265,163

*Cash and Cash Equivalents End of Year* \$ 6,940,211

**Reconciliation of Operating Loss to Net Cash  
Provided by (Used in) Operating Activities**

*Operating Income (Loss)* \$ (1,717,133)

Adjustments:

Depreciation	20,776
(Increase) Decrease in Assets:	
Accounts Receivable	163,007
Prepaid Expenses	(16,947)
Deferred Outflows	190,602
Net OPEB Asset	(127,543)
Increase (Decrease) in Liabilities:	
Accounts Payable	(47,214)
Accrued Wages and Benefits	5,311
Compensated Absences	19,838
Payroll Withholding	(6,674)
Fringe Benefits	559
Deferred Inflows	453,473
Pension/OPEB Liability	(1,264,646)
Payroll Liabilities	<u>89,494</u>

*Total Adjustments* (519,964)

*Net Cash Provided by (Used in) Operating Activities* \$ (2,237,097)

*The notes to the financial statements are an integral part of these statements.*

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
Mahoning County, Ohio

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

**General**

Eastgate Regional Council of Governments (Eastgate) was established on January 1, 1973. Eastgate is a government entity created under the provisions of Chapter 167 of the Ohio Revised Code.

Eastgate is organized as a voluntary organization of local government subdivisions in Ashtabula, Mahoning, and Trumbull counties. Its purpose is to foster a cooperative effort in regional planning, programming, and the implementation of regional plans and programs. It is a forum for the discussion and study of common problems of a regional nature and for the development of policy and action recommendations relating thereto. Eastgate is considered a jointly governed organization since each of the participating counties has equal representation and the counties have no financial responsibility.

Eastgate derives its funds to support its operations from Federal and State grants, dues from local government bodies desiring membership in Eastgate, and contractual agreements between local government bodies and Eastgate for the performance of specific studies and surveys. Because Eastgate derives a majority of its revenues from dues and charges for services, which are services provided to other governments and are therefore intergovernmental revenues, these statements are shown as proprietary activities.

With respect to proprietary activities, Eastgate has adopted GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Units That Use Proprietary Fund Accounting*.

Eastgate is governed by a General Policy Board which utilizes an administrative staff headed by a director for daily operations.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of Eastgate are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from Eastgate.

Component units are legally separate organizations for which Eastgate is financially accountable. Eastgate is financially accountable for an organization if they appoint a voting majority of the organization's governing board and 1) they are able to significantly influence the programs or services performed or provided by the organization; or 2) they are legally entitled to or can otherwise access the organization's resources; they are legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or they are obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent of Eastgate in that they approve the budget, the issuance of debt, or the levying of taxes.

Based on the above description, there are no component units within Eastgate.

**Method of Accounting**

Eastgate's funds are accounted for using the accrual basis of accounting. Revenues are recognized as earned from grant agencies when the related expenses are recognized. Direct costs are billed to grantor agencies at actual cost; indirect costs are billed using the provisional rate method, which is calculated based on the most recently audited fiscal year with adjustments for projected changes. At the end of the fiscal year, an actual rate is calculated and the difference between the estimated and actual cost for the period covered by the rate is identified to specific contracts.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES-continued**

Variances are either billed as an additional cost or refunded to the granting agency. No carry forward provision is permitted to adjust the future rates for the variance. Local revenue funds are recognized as revenue in the period in which they are assessed. The recognition of local revenue funds received which related to assessments for subsequent events is deferred.

**Cash and Cash Equivalents**

For purposes of the cash flows statement and for presentation on the statement of net position, Eastgate considers all liquid debt instruments purchased with temporary cash that have an original maturity of three months or less to be cash equivalents.

**Vacation and Sick Leave**

Eastgate employees generally earn vacation ranging 10 to 25 days per year based on the length of service. The amount accrued for vacation leave was \$158,372. The amount accrued for sick leave was \$80,370, using the vesting method. These two numbers are included in the long-term liabilities.

**Net Position**

Net Position represents the difference between assets plus deferred outflows less liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Eastgate reports restricted net position for grant and local match monies received and to be use for a future community project.

**Deferred Outflows and Inflows**

In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For Eastgate, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 3 and 4.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For Eastgate, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 3 and 4).

**Pensions/Other Post Employment Benefits (OPEB)**

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES –continued**

**Property and Equipment**

Property and equipment are stated at cost. Eastgate’s policy as to depreciation is to amortize the cost of depreciable assets over their estimated useful lives of three to ten years computed using the straight-line method. Furniture and equipment are purchased principally with local funds. Eastgate maintains a capitalization threshold of \$5,000.

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

State statutes classify monies held by Eastgate into three categories.

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

*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**-Custodial credit risk is the risk that in the event of bank failure, the government’s deposits may not be returned to it. Protection of Eastgate cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets.

By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of Eastgate’s deposits was \$2,776,424, and the bank balance was \$2,825,549. Of the bank balance, \$644,845 was insured by FDIC and \$2,180,704 was uninsured.

**Investments**-Eastgate had investments at June 30, 2021 of \$4,163,787, which includes 2 repurchase (sweep) agreements of \$3,769,541 and one annuity valued at \$394,246.

**3. DEFINED BENEFIT PENSION**

**A. 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 reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees of salaries and benefits for employee services.

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**3. DEFINED BENEFIT PENSION PLAN (continued)**

Pensions are provided to an employee - on a deferred payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents Eastgate'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 Eastgate's obligation for this liability to annually required payments. Eastgate's cannot control benefit terms or the manner in which pensions are financed; however, the Eastgate does receive the benefit of employees' services in exchange for compensation including pension.

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting.

**B. Ohio Public Employees Retirement System (OPERS).**

Eastgate participates in OPERS.

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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**3. DEFINED BENEFIT PENSION PLAN (continued)**

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2017 member and employer contribution rates were consistent across all three plans. For 2021 member and employer contribution rates were 10% and 14%, respectively, of covered payroll.

Eastgates required contributions to OPERS for the years ended June 30, 2021, 2020, and 2019 were \$131,020, \$150,643, and \$164,138, respectively, which represent 100 percent contributions for all three years.

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

The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Eastgates proportion of the net pension liability was based on Eastgates share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>Traditional &amp; Combined</u>
Proportionate Share of the Net Pension Liability/(Asset)	\$1,076,381
Proportion of the Net Pension Liability/(Asset) Prior Measurement Date	0.00699900%
Proportion of the Net Pension Liability/(Asset) Current Measurement Date	<u>0.00726900%</u>
Change in Proportionate Share	0.00027000%
Pension Expense	(\$75,163)



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At June 30, 2021, Eastgate reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	
Eastgate contributions subsequent to the measurement date	\$65,510
<b>Total Deferred Outflows of Resources</b>	<b>\$65,510</b>
 <b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$45,025
Net difference between projected and actual earnings on pension plan investments	419,544
Change in proportionate share and difference between Eastgate contributions and proportionate share of contributions	26,477
<b>Total Deferred Inflows of Resources</b>	<b>\$491,046</b>

\$65,510 reported as deferred outflows of resources related to pension resulting from Eastgate contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional & Combined
<b>Fiscal Year Ending June 30:</b>	
2022	(\$129,669)
2023	(67,628)
2024	(171,020)
2025	(57,219)
<b>Total</b>	<b>(\$425,536)</b>

**Actuarial Assumptions - PERS**

OPERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination).

Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2020, are presented below:

Experience Study	5-Year Period Ended December 31, 2015
Wage Inflation	3.25%
Future Salary Increases, Including Inflation	3.25% - 10.75% (traditional)
COLA or Ad hoc COLA	Pre-1/7/13 Retirees: 3% Simple, Post-1/7/13 Retirees: 0.5% Simple through 2021, then 2.15% Simple
Investment Rate of Return	7.2%
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Health Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for monthly improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010.

The post-retirement 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.

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The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other Investments	9.00	4.75
Total	<u>100.00 %</u>	<u>5.43 %</u>

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 weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the 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 is 17.2% for 2020.

**Discount Rate** The discount rate used to measure the total pension liability was 7.2% for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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***Sensitivity of Eastgate’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.2 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent), or one percentage point higher (8.2 percent) than the current rate.

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Eastgate's Proportionate Share of the Net Pension Liability :			
Traditional	\$ 2,053,202	\$ 1,076,381	\$ 264,156

**4. DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS**

**A. Net OPEB Liability (Asset)**

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

The net OPEB liability represents Eastgate’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.

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

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
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*Notes to the Basic Financial Statements  
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**B. Plan Description**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 74. Please see the Plan Statement in the OPERS 2020 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277, East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2020 and 2019, Eastgate contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits.

For 2020, the employer contribution allocated for health care to the traditional and combined plan was zero.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries.

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Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contributions as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Eastgate contributions for the year ended June 30, 2021, which were used to fund postemployment benefits were zero.

The net OPEB liability (asset) was measured as of December 31, 2020, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. Eastgates proportion of the net OPEB liability (asset) was based on Eastgates share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>Traditional &amp; Combined</u>
Proportionate Share of the Net OPEB Liability/(Asset)	(\$127,543)
Proportion of the Net OPEB Liability/(Asset) Prior Measurement Date	0.00693300%
Proportion of the Net OPEB Liability/(Asset) Current Measurement Date	<u>0.00715900%</u>
Change in Proportionate Share	0.00022600%
OPEB Expense	(\$673,651)

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At June 30, 2021, Eastgate reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Deferred Outflows of Resources</b>	
Change of Assumptions	\$62,701
Change in Proportionate Share	<u>7</u>
Total Deferred Outflows of Resources	<u><u>\$62,708</u></u>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$115,108
Net difference between projected and actual earnings on pension plan investments	67,932
Change of Assumptions	206,658
Change in Proportionate Share	<u>41,892</u>
Total Deferred Inflows of Resources	<u><u>\$431,590</u></u>

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

	Traditional & Combined
<b>Fiscal Year Ending June 30:</b>	
2022	(\$201,907)
2023	(129,451)
2024	(29,519)
2025	<u>(8,005)</u>
Total	<u><u>(\$368,882)</u></u>

**Actuarial Assumptions - OPERS**

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

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2020, are presented below:

Experience Study	5-Year Period Ended December 31, 2015
Future Salary Increases, Including Inflation	3.25%-10.75%, includes wage inflation at 3.25%
Actuarial Assumptions	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.00%
Wage Inflation	3.25%
Actuarial Cost Method	Individual entry age normal
Health Care Cost Trend Rate	8.5% initial, 3.50% ultimate in 2035

Pre-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for monthly improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010.

The post-retirement 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 allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. 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. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return.



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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	34.00%	1.07%
Domestic Equities	25.00	5.64
REITS	7.00	6.48
International Equities	25.00	7.36
Other Investment	9.00	4.02
<b>TOTAL</b>	<b>100.00%</b>	<b>4.43%</b>

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 weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2020, 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 is 19.7% for 2020.

**Discount Rate** The discount rate used to measure the total OPEB liability (asset) was 6.00%. 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% and a municipal bond rate of 2.75%. 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 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.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
Mahoning County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

***Sensitivity of Eastgate's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 6.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.00 percent), or one percentage point higher (6.00 percent) than the current rate. Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (9.5%) and higher (11.5%) than the current rate of 10.5%.

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)								
Eastgate's Proportionate Share of the Net OPEB Asset:	\$ 31,715	\$ 127,543	\$ 206,322								
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 45%;"></th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">1% Decrease (9.5%)</th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">Current Trend Rate (10.5%)</th> <th style="width: 25%; text-align: center; border-bottom: 1px solid black;">1% Increase (11.5%)</th> </tr> </thead> <tbody> <tr> <td style="border-top: 1px solid black;">Eastgate's Proportionate Share of the Net OPEB Asset:</td> <td style="text-align: right;">\$ 130,652</td> <td style="text-align: right;">\$ 127,543</td> <td style="text-align: right;">\$ 124,065</td> </tr> </tbody> </table>					1% Decrease (9.5%)	Current Trend Rate (10.5%)	1% Increase (11.5%)	Eastgate's Proportionate Share of the Net OPEB Asset:	\$ 130,652	\$ 127,543	\$ 124,065
	1% Decrease (9.5%)	Current Trend Rate (10.5%)	1% Increase (11.5%)								
Eastgate's Proportionate Share of the Net OPEB Asset:	\$ 130,652	\$ 127,543	\$ 124,065								

**5. ACCUMULATED FRINGE BENEFITS**

Accumulated fringe benefits include accrued employee hospitalization of \$2,590 and accrued employee share of OPERS of \$12,128 for a total of \$14,718.

**6. LEASE**

Eastgate leases its office under an operating lease which began January 1, 2017 and is for a five year term expiring December 31, 2021.

Minimum future rental commitments under a non-cancelable operating lease having a remaining term of 6 months are as follows:

July 1, 2021-December 31, 2021 = <u>Total Minimum</u> <u>Payments Required</u>	<b>\$56,194</b>
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**7. COST ALLOCATION METHOD**

Eastgate annually has a Cost Allocation Plan agreement with the Ohio Department of Transportation (ODOT). This agreement establishes a preliminary fringe benefit rate and an indirect cost rate in advance of the beginning of the agreement year so that a budget can be prepared. However, the approved rates are based on estimates and will be revised by ODOT as an adjustment in future cost allocation plan agreements. Periodic billings are prepared based on the preliminary approved rates.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
Mahoning County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

Costs were distributed to the projects and activities pursuant to a cost allocation plan and/or a method of allocation, as applicable, as required by The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**8. CONTINGENCIES**

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

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
Equipment, Furniture and Fixtures	\$ 185,324	\$ -	\$ -	\$ 185,324
Accumulated Depreciation	(93,512)	(20,776)	-	(114,288)
Net Capital Assets	\$ 91,812	\$(20,776)	\$ -	\$ 71,036

**10. RISK MANAGEMENT**

Eastgate is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. In order to minimize these components of risk, Eastgate has obtained insurance coverage for risk of loss as follows:

Liability Aggregate Limit	\$ 2,000,000
Fire and Medical Limit	1,000,000
Fire Legal Liability	250,000
Medical Expenses	5,000
Business Property	150,000
Contractor's Equipment	8,970
Automobile	1,000,000
Tenants Liability	250,000
Deductible	250

Settled claims have not exceeded commercial coverage in any of the past three years. Also, Eastgate did not reduce the limits of liability significantly in the current year.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
Mahoning County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**11. LONG TERM OBLIGATIONS**

The change in long-term obligations of Eastgate during fiscal year 2021 were as follows:

	Balance 6/30/2020	Increases	Decreases	Balance 6/30/2021	Amount Due Within One Year
Compensated Absences	\$ 218,904	\$ 168,363	\$ 148,525	\$ 238,742	\$ 80,370

In accordance with the provisions of GASB Statement No.16, “Accounting for Compensated Absences”, vacations benefits are accrued as a liability as the benefits are earned if the employees rights to receive compensation are attributable to services already rendered and it is probable that Eastgate will compensate the employees for the benefits through paid time off or some other means. Eastgate records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those Eastgate has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at year end, taking into consideration any limits in Eastgate’s termination policy. The Eastgate reports a liability for accumulated unused sick leave for employees who will be eligible to retire at the end of the fiscal year.

The entire compensated absence liability is reported on the financial statements.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Note 3 and 4.

**12. COVID-19**

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

June 30, 2021

Required Supplementary Information  
 Schedule of EASTGATE'S Proportionate Share of the Net Pension Liability  
 Ohio Public Employees Retirement System (OPERS) - Traditional Plan  
 Last Eight Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014	2013
EASTGATE'S Proportion of the Net Pension Liability	0.00726900%	0.00699900%	0.00711800%	0.00704700%	0.00659500%	0.00677000%	0.00682700%	0.00682700%
EASTGATE'S Proportionate Share of the Net Pension Liability	\$1,076,381	\$1,383,400	\$1,949,476	\$1,105,538	\$1,497,612	\$1,172,404	\$816,538	\$804,814
EASTGATE'S Covered-Employee Payroll	\$1,076,021	\$1,172,414	\$1,641,380	\$1,210,680	\$1,426,240	\$1,283,840	\$1,309,440	\$1,282,360
EASTGATE'S Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	100.03%	118.00%	118.77%	91.32%	105.00%	91.32%	62.36%	62.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the EASTGATE'S measurement date which is December 31, 2020.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**  
June 30, 2020

*Required Supplementary Information*  
*Schedule of Eastgate Contributions*  
*Ohio Public Employees Retirement System (PERS) - Traditional*  
*Last Nine Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$131,020	\$150,643	\$164,138	\$121,068	\$128,362	\$117,921	\$119,908	\$117,429	\$119,254
Contributions in Relation to the Contractually Required Contribution	(\$131,020)	(\$150,643)	(\$164,138)	(\$121,068)	(\$128,362)	(\$117,921)	(\$119,908)	(\$117,429)	(\$119,254)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Eastgate Covered-Employee Payroll	\$935,857	\$1,076,021	\$1,172,414	\$1,008,900	\$1,069,683	\$982,679	\$999,237	\$978,573	\$993,782
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**

June 30, 2021

*Required Supplementary Information  
Schedule of EASTGATE'S Proportionate Share of the Net OPEB Liability  
Ohio Public Employees Retirement System (OPERS)  
Last Five Fiscal Years (1)*

	2020	2019	2018	2017	2016
EASTGATE'S Proportion of the Net OPEB Liability (Asset)	0.00693300%	0.00693300%	0.00739700%	0.00734000%	0.00734000%
EASTGATE'S Proportionate Share of the Net OPEB Liability	(\$127,543)	\$957,627	\$964,394	\$797,070	\$741,365
EASTGATE'S Covered-Employee Payroll	\$1,076,021	\$1,172,414	\$1,641,380	\$1,210,680	\$1,426,240
EASTGATE'S Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	-11.85%	81.68%	58.76%	65.84%	51.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	65.84%	N/A

(1) Information prior to 2016 is not available.

Amounts presented as of the EASTGATE'S measurement date which is December 31, 2020.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**  
June 30, 2021

*Required Supplementary Information*  
*Schedule of Eastgate Contributions*  
*Ohio Public Employees Retirement System (PERS) - OPEB*  
*Last Nine Fiscal Years*

	2021 (2)	2020 (2)	2019 (2)	2018	2017	2016	2015	2014	2013 (1)
Contractually Required Contribution	\$0	\$0	\$0	\$10,543	\$2,037	\$9,795	\$9,156	\$9,156	\$5,209
Contributions in Relation to the Contractually Required Contribution	\$0	\$0	\$0	(\$10,543)	(\$2,037)	(\$9,795)	(\$9,156)	(\$9,156)	(\$5,209)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Eastgate Covered-Employee Payroll	\$0	\$0	\$0	\$1,008,900	\$1,069,683	\$982,679	\$999,237	\$978,573	\$993,782
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	1.04%	0.19%	2.00%	2.00%	2.00%	0.52%

(1) Information prior to 2013 is not available.  
(2) Effective 2019 the contribution rate was 0%



EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

PENSION

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal year 2014-2021.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2021.

There were no changes in methods and assumptions used in the calculation of actuarial contributions for fiscal year 2021.

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EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal year 2018-2021.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017-2020. For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (a) the expected investment return was increased from 3.16.% to 6.00%,
- (b) projected future contributions were sufficient to cover health care costs through 2120

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation and have significantly decreased the total OPEB liability for the measurement date December 31, 2020.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
MAHONING COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR <i>State Pass Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Pass Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF COMMERCE</b>				
<i>Direct Award from Economic Development Administration</i>				
Economic Development Support for Planning Organizations	11.302	ED19CHI3020025		\$ 70,000
COVID-19 Economic Adjustment Assistance	11.307			\$ 191,082
Economic Adjustment Assistance-GM Recovery	11.307	06-69-06143	28,588	\$ 331,743
Economic Adjustment Assistance-Broadband	11.307	06-69-06188		\$ 128,647
<b>Total U.S. Department of Commerce</b>				<b>721,472</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<b>Federal Highway Administration:</b>				
<u>Highway Planning and Construction Cluster:</u>				
Highway Planning and Construction	20.205			
<i>Passed Through Ohio Department of Transportation:</i>				
CMAQ - Air Quality Program SFY 2021		PID 101877		\$ 105,555
CMAQ - Air Quality Program SFY 2020		PID 99002		31,501
CMAQ - Rideshare Program SFY 2020		PID 99003		9,051
CMAQ - Rideshare Program SFY 2021		PID 101879		42,436
STP - Regional Transportation Planning Supplement SFY 2021		PID 105728		133,187
STP - Regional Transportation Planning Supplement SFY 2020		PID 105719		479
Consolidated Planning Grant SFY 2021		PID 111606		697,325
Consolidated Planning Grant SFY 2020		PID 109386		12,989
Total Highway Planning and Construction Cluster				1,032,523
<b>Total U.S. Department of Transportation</b>				<b>1,032,523</b>
<b>APPALACHIAN REGIONAL COMMISSION</b>				
<i>Direct Award</i>				
Appalachian Local Development Assistance	23.009	N/A		68,886
<b>Total Appalachian Regional Commission</b>				<b>68,886</b>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
<i>Passed Through Ohio Department of Environmental Protection Agency</i>				
Water Quality Planning (EPA)	66.454	604(b)		51,657
<b>Total U.S. Environmental Protection Agency</b>				<b>51,657</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$28,588</b>	<b>\$1,874,538</b>

*The accompanying notes are an integral part of this schedule.*

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
MAHONING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Eastgate Regional Council of Governments (the Government's) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Government.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require Eastgate to contribute non-Federal funds (matching funds) to support the Federally-funded programs. Eastgate has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE D – SUBRECIPIENTS**

Eastgate passes certain federal awards received from the Ohio Department of Transportation to other governments or not-for-profit agencies (subrecipients). As Note B describes, Eastgate reports expenditures of Federal awards to subrecipients when accrued.

As a subrecipient, Eastgate has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions or contracts or grant agreements, and that subrecipients achieve the award's performance goals. Eastgate did not pass through funds to subrecipients during the audit period.



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

Eastgate Regional Council of Governments  
Mahoning County  
City Center One Building  
100 East Federal Street, Suite 1000  
Youngstown, OH 44503

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Eastgate Regional Council of Governments (Council), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated January 27, 2022, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of Eastgate.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

### **Government's Response to Findings**

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

### **Purpose of this Report**

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



CANTER & ASSOCIATES

Poland, Ohio

January 27, 2022



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Eastgate Regional Council of Governments  
Mahoning County  
City Center One Building  
100 East Federal Street, Suite 1000  
Youngstown, OH 44503

To the Board of Directors:

**Report on Compliance for Each Major Federal Program**

We have audited Eastgate Regional Council of Government's (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Council's major federal program for the year ended June 30, 2021. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Report on Internal Control over Compliance**

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CANTER & ASSOCIATES**

Poland, Ohio

January 27, 2022



**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF FRINGE BENEFITS AND  
COMPUTATION OF FRINGE BENEFIT RATES  
For the Fiscal Year Ended June 30, 2021**

	<u>Actual Rates</u>	<u>ODOT Approved Provisional Rate</u>
Fringe Benefits		
Sick, Vacation and Holiday Pay	\$ 200,724	\$ 215,376
Hospitalization and Life Insurance	175,818	179,703
OPERS	153,617	158,766
Worker's Compensation, Unemployment & Medicare	22,238	22,084
<b>Total Fringe Benefit Costs (A)</b>	<u>552,397</u>	<u>575,929</u>
Direct and Administrative Salaries		
Direct Salaries	\$ 785,247	\$ 790,323
Indirect Salaries - Administrative	136,336	128,343
<b>Total Direct &amp; Administrative Salaries (B)</b>	<u>921,583</u>	<u>918,666</u>
<b>Fringe Benefits Rate (A/B)</b>	59.94%	62.69%

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF INDIRECT COSTS AND  
COMPUTATION OF INDIRECT COST RATES  
For the Fiscal Year Ended June 30, 2021**

	<u>Actual Rates</u>	<u>ODOT Approved Provisional Rate</u>
<b>INDIRECT COSTS</b>		
Administrative and Fiscal Management	\$ 136,336	\$ 128,343
Fringe Benefits for Indirect Salaries	81,720	80,461
Postage	89	500
Travel	895	5,000
Telephone	8,214	4,000
Machine Rental and Maintenance	1,579	1,400
Duplication and Printing	4,034	2,500
Office Supplies	9,690	5,000
Depreciation	20,775	22,150
Office Rent, Utilities & Insurance	123,588	122,000
Legal/Audit/Bookkeeping	21,254	20,000
Computer Supplies/Equipment	37,005	2,200
Dues	867	800
Office Insurance	0	2,400
Parking	0	900
Internet	0	1,500
Subscriptions/Bank Service Charges/Maintenance & Repair	937	1,650
<b>TOTAL INDIRECT COSTS (A)</b>	<u>446,983</u>	<u>400,804</u>
<b>DIRECT SALARIES (B)</b>	<u>785,247</u>	<u>790,323</u>
<b>INDIRECT COST RATE (A/B)</b>	56.92%	50.71%

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
 FHWA/ODOT GRANT - PID 111606  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
FHWA Grant Funds	\$ 697,325
ODOT Grant Funds	87,166
Local Match	87,166
Total Revenue	871,657
Expenditures:	
Direct Salaries	396,352
Direct Expenditures	21,443
Fringe Benefits	229,646
Indirect Costs	224,216
Total Expenditures	871,657
Revenue Over/Under Expenditures	-
Grant Funds Received	784,491
Total Federal Expenditures	697,325
Amount in Excess of 80%	\$ 87,166

Note: Effective Fiscal Year 2009, Eastgate adopted the **PROVISIONAL RATE METHOD** of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
 FHWA/ODOT GRANT CARRYOVER - PID 109386  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
FHWA Grant Funds	\$ 12,989
ODOT Grant Funds	1,624
Local Match	1,637
Total Revenue	16,250
Expenditures:	
Direct Salaries	7,497
Direct Expenditures	252
Fringe Benefits	4,700
Indirect Costs	3,801
Total Expenditures	16,250
Revenue Over/Under Expenditures	-
Grant Funds Received	14,613
Total Federal Expenditures	12,989
Amount in Excess of 80%	\$ 1,624

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
 ODOT STP - PID 105728  
 SCHEDULE OF REVENUE AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 133,187
Total Revenue	133,187
Expenditures:	
Direct Salaries	62,056
Direct Expenditures	71
Fringe Benefits	35,955
Indirect Costs	35,105
Total Expenditures	133,187
Revenue Over/Under Expenditures	-
Grant Funds Received	133,187
100% of Total Expenditures	133,187
Amount in Excess of 100%	\$ -

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
 FHWA/ODOT STP-PID 105719  
 SCHEDULE OF REVENUE AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 479
Expenditures:	
Direct Salaries	225
Direct Expenditures	-
Fringe Benefits	141
Indirect Costs	113
Total Expenditures	479
Revenue Over/Under Expenditures	-
Grant Funds Received	479
100% of Total Expenditures	-
	479
Amount in Excess of 100%	\$ 479

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
 ODOT CMAQ OZONE - PID 101877  
 SCHEDULE OF REVENUE AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 105,555
Local Match	-
	105,555
Total Revenue	105,555
Expenditures:	
Direct Salaries	11,334
Direct Expenditures	81,243
Fringe Benefits	6,567
Indirect Costs	6,411
	105,555
Total Expenditures	105,555
Revenue Over/Under Expenditures	-
Grant Funds Received	105,555
100% of Total Expenditures	105,555
Amount in Excess of 100%	\$ -

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
 ODOT CMAQ OZONE CARRYOVER - PID 99002  
 SCHEDULE OF REVENUE AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 31,501
Total Revenue	31,501
Expenditures:	
Direct Salaries	5,491
Direct Expenditures	19,784
Fringe Benefits	3,442
Indirect Costs	2,784
Total Expenditures	31,501
Revenue Over/Under Expenditures	-
Grant Funds Received	31,501
100% of Total Expenditures	31,501
Amount in Excess of 100%	\$ -

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.



EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
 ODOT CMAQ-Gohio - PID 101879  
 SCHEDULE OF REVENUE AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 42,436
Expenditures:	
Direct Salaries	11,205
Direct Expenditures	18,400
Fringe Benefits	6,492
Indirect Costs	6,339
Total Expenditures	42,436
Revenue Over/Under Expenditures	-
Grant Funds Received	42,436
100% of Total Expenditures	42,436
Amount in Excess of 100%	\$ -

Note:

Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
 ODOT CMAQ-Gohio CARRYOVER - PID 99003  
 SCHEDULE OF REVENUE AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 9,040
Expenditures:	
Direct Salaries	4,241
Direct Expenditures	-
Fringe Benefits	2,659
Indirect Costs	2,151
Total Expenditures	9,051
Revenue Over/Under Expenditures	(11)
Grant Funds Received	9,040
100% of Total Expenditures	9,051
Amount in Excess of 100%	\$ (11)

Note:

Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
U.S. DEPARTMENT OF COMMERCE (EDA)  
SCHEDULE OF REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 70,000
Local Match	70,000
Total Revenue	140,000
Expenditures:	
Direct Salaries	65,846
Direct Expenditures	2,307
Fringe Benefits	41,279
Indirect Costs	33,390
Total Expenditures	142,822
Revenue Over/Under Expenditures	(2,822)
Grant Funds Received	70,000
50% of Total Expenditures	71,411
Amount in Excess of 50 %	\$ (1,411)

Note:

Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
U.S. DEPARTMENT OF COMMERCE (EDA)-CARES  
SCHEDULE OF REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 200,000
Total Revenue	200,000
Expenditures:	
Direct Salaries	28,155
Direct Expenditures	131,000
Fringe Benefits	17,650
Indirect Costs	14,277
Total Expenditures	191,082
Revenue Over/Under Expenditures	8,918
Grant Funds Received	200,000
100% of Total Expenditures	191,082
Amount in Excess of 100 %	\$ 8,918

Note:

Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

Fringe	0.6269
Indirect	0.5071

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
U.S. DEPARTMENT OF COMMERCE (EDA)-BROADBAND  
SCHEDULE OF REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 128,647
Local Match	142,352
Total Revenue	270,999
Expenditures:	
Direct Salaries	4,335
Direct Expenditures	261,748
Fringe Benefits	2,718
Indirect Costs	2,198
Total Expenditures	270,999
Revenue Over/Under Expenditures	-
Grant Funds Received	128,647
47.47% of Total Expenditures	128,643
Amount in Excess of 47.47 %	\$ 4

Note:

Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

Fringe	0.6270
Indirect	0.5070

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
U.S. DEPARTMENT OF COMMERCE (EDA)-GM RECOVERY  
SCHEDULE OF REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 331,743
Local Match	82,935
Total Revenue	414,678
Expenditures:	
Direct Salaries	95,882
Direct Expenditures	256,249
Fringe Benefits	37,035
Indirect Costs	25,512
Total Expenditures	414,678
Revenue Over/Under Expenditures	-
Grant Funds Received	331,743
80% of Total Expenditures	331,742
Amount in Excess of 80%	\$ 1

Note:

Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
EPA-WATER QUALITY PLANNING - 604(B)  
SCHEDULE OF REVENUE AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 126,657
Total Revenue	126,657
Expenditures:	
Element #1200.01	
Direct Salaries	24,185
Direct Expenditures	46
Fringe Benefits	15,162
Indirect Costs	12,264
Total Expenditures Element #1200.01	51,657
Element #1200.02	
Direct Salaries	35,027
Direct Expenditures	253
Fringe Benefits	21,958
Indirect Costs	17,762
Total Expenditures Element #1200.02	75,000
Total Expenditures	126,657
Revenue Over/Under Expenditures	-
Grant Funds Received	126,657
100% of Total Expenditures	126,657
Amount in Excess of 100%	\$ -

Note:

Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
 APPALACHIAN REGIONAL DEVELOPMENT-FEDERAL  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 70,000
Total Revenue	70,000
Expenditures:	
Direct Salaries	32,607
Direct Expenditures	1,712
Fringe Benefits	20,441
Indirect Costs	16,534
Total Expenditures	71,294
Revenue Over/Under Expenditures	(1,294)
Grant Funds Received	70,000
100% of Total Expenditures	71,294
Amount in Excess of 100%	\$ (1,294)

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.



EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
 APPALACHIAN REGIONAL DEVELOPMENT-STATE  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2021

	ACTUAL
Revenue:	
Grant Funds	\$ 70,000
Total Revenue	70,000
Expenditures:	
Direct Salaries	31,954
Direct Expenditures	1,843
Fringe Benefits	20,031
Indirect Costs	16,204
Total Expenditures	70,032
Revenue Over/Under Expenditures	(32)
Grant Funds Received	70,000
100% of Total Expenditures	70,032
Amount in Excess of 100%	\$ (32)

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 62.69% for Fringe Benefits and 50.71% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.94% for Fringe Benefits and 56.92% for Indirect Costs.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS  
MAHONING COUNTY**

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
YEAR ENDED JUNE 30, 2021

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	UNMODIFIED
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	YES
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	UNMODIFIED
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	NO
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction CFDA # 20.205; Economic Adjustment Assistance CFDA # 11.307
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee UNDER 2 CFR §200.520?	Yes

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

**FINDING NUMBER 2021-001**

**SIGNIFICANT DEFIEICENCY**

During the year Eastgate (the Council) received local match funds in advance of the expenditures being incurred for a Build Smart2 grant. These funds are a pass-through from the local businesses and Eastgate holds these funds until the allowable costs are incurred and paid for. When the expenditures are incurred the local match funds are used to pay for them.

The Council recorded these payments received in the amount of \$1,660,000 as revenue for the fiscal year. This amount was reclassified to a liability as Unearned Revenue. Revenue should be recognized in the

period earned and the allowable costs are incurred. The financial statements have been adjusted to reflect the proper reporting.

When all applicable eligibility requirements are met, including time requirements and allowable costs incurred, revenue should be recognized. This will allow for proper revenue recognition and matching of costs in the proper period. Internal controls should be in place to reasonably assure that revenue and expense are recognized in the proper period and matched to the proper allowable costs.

We recommend that the Council review financial statements and grant documents to ensure revenue is recognized in the proper period.

**Officials Response:**

In July of 2020, the council invoiced the local match participants for their local community share of the BUILD SMART2 Grant and recorded these funds as revenue. These local funds were held in a project fund, a separate bank account from the agency's operating funds. The agency performed monthly bank reconciliations on all bank accounts. The income was recorded on the books in a separate account as "Pass Through Funds - BUILD SMART2-Local Match Funds" and the offsetting expenditures were identified in a separate account as "Pass-Through Expense-BUILD-SMART2-local match". All applicable allowable expenditures were approved by the executive director of the agency prior to disbursement. All disbursements were approved by both the executive director and the chair of the agency's finance executive board. The agency tracked all project pass-through fund balances and reported the activity and balances to their finance executive committee on a quarterly basis.

For the fiscal year ended June 30, 2021, the agency hired and relied on an outside certified public accounting firm to compile their financial statements for audit purposes in accordance with GAAP. The agency provided their information along with the details of their new funding sources to their accounting firm by October 7, 2021. The agency's fiscal officer contacted the accounting firm several times regarding the status of reports, prior to November 17, 2021, prior to taking a scheduled medical leave. The accounting firm was aware of the scheduled leave from November 19 through November 28, 2021. The draft financial statement reports were not available for the fiscal officer's review until November 29, the day the report was due for submission to the Auditor of the State. No adjustments to the recognition of the unearned income were suggested or discussed. The agency is certain if the compiled reports had been available sooner, a more thorough review would have caught the misclassified income.

As the agency acknowledges the presentation of the local funds on their audited financial statements was not in accordance with GAAP, they do have good internal controls to identify and monitor such funds. In coordination with the growth of the agency's grant management and accounting responsibilities, the agency has recently hired a second accounting staff to spread the duties among the department. The agency's accounting staff attend ongoing training yearly to keep up on the latest accounting and grant monitoring requirements. The agency is currently in the process of implementing a new fund accounting software that is more sophisticated and will better track funds, grants, and projects across the appropriate time periods along with providing budget benchmarks. The agency is in the process of revising their internal policies and procedures to align with implementation of their new software and updated organizational structure. The agency will work with their accounting firm for a schedule of appropriate deadline dates for information requests and reports so compiled financial statements have a complete and adequate review.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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NONE

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# OHIO AUDITOR OF STATE KEITH FABER



**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS**

**MAHONING COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/5/2022**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)