OHIO AUDITOR OF STATE
KEITH FABER

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY
JUNE 30, 2022 AND 2021

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88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

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

To the General Policy Board:

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash-basis financial statements of the business-type activities of the Northeast Ohio Four County Regional Planning and Development Organization, Summit County, Ohio (NEFCO), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise NEFCO's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the business-type activities as of June 30, 2022 and 2021, and the respective changes in modified cash-basis financial position and cash flows thereof or the years then ended in accordance with the modified cash-basis of accounting described in Note 1B.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of NEFCO, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1B, and for determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NEFCO 's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 NEFCO's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NEFCO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

We applied no procedures to management's discussion & analysis and schedule of indirect costs and allocation method as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023, on our consideration of NEFCO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NEFCO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering NEFCO's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

February 17, 2023

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The management’s discussion and analysis of the Northeast Ohio Four County Regional Planning and Development Organization’s (NEFCO) financial performance provides an overall review of NEFCO’s financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at NEFCO’s financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of NEFCO’s financial performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- Net Position was $350,924 at June 30, 2022, an increase of $17,041 from the prior year.
- Revenues were $1,012,506 in fiscal year 2022 compared to $1,028,610 in fiscal year 2021, a decrease of $16,104 or 2 percent.
- NEFCO had $995,465 in expenses in fiscal year 2022 compared to $968,870 in fiscal year 2021, an increase of $26,595 or 3 percent.

Basis of Accounting

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

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

Using this Annual Financial Report

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

Statements of Net Position

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

The following schedule provides a summary of NEFCO's Statement of Net Position for fiscal years ended June 30, 2022, and June 30, 2021.

Table 1 - Statement of Net Position

	2022	2021
Assets		
Current Assets	$ 357,057	$ 340,273
Total Assets	357,057	340,273
Liabilities		
Payroll Withholdings	6,133	6,390
Toal Liabilities	6,133	6,390
Net Postion		
Unrestricted	350,924	333,883
Total Net Position	$ 350,924	$ 333,883

Total assets increased by $16,784 in 2022 and total liabilities decreased by $257. The increase in total assets was due to the increase in cash due to the increase in grant receipts in fiscal year 2022.

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

Table 2 compares NEFCO's 2022 and 2021, receipts, expenses, and changes in net position.

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

	2022	2021
Receipts		
Federal Grants	$ 653,790	$ 658,261
State and Local Grants	143,767	137,557
Membership Dues	214,915	232,715
Interest	34	77
Total Receipts	1,012,506	1,028,610
Expenses		
Salaries and Wages	366,621	361,986
Employee Benefits	129,101	123,590
Staff Expenses	6,564	3,469
Office Expenses	52,801	13,710
Contractual Services	396,335	415,298
Occupancy	34,052	38,034
Other Expenses	9,991	12,774
Interest Expense	-	9
Total Expenses	995,465	968,870
Change in Net Position	$ 17,041	$ 59,740

Receipts decreased by $16,104 in fiscal year 2022, primarily due to the decrease in membership dues. Total expenses increased by $26,595, primarily due to the increase in office expenses due to the purchase of computer equipment which was offset by the decrease in contractual services. NEFCO had significant drawdowns from their USEPA grant federal account that was passed through to a subrecipient which caused the large increase in contractual expenses in the prior year.

Capital Assets

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

Debt

NEFCO has no debt outstanding at the end of fiscal years 2022 and 2021.

Contacting the Organization's Financial Management

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

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY, OHIO
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2022

Assets	
Current Assets	
Cash	$ 357,057
Total Assets	357,057
Liabilities	
Payroll Withholdings	6,133
Total Liabilities	6,133
Net Position	
Unrestricted	350,924
Total Net Position	$ 350,924

See accompanying notes to the basic financial statements.

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, EXPENSES, AND CHANGES IN NET POSITION – MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Operating Receipts	
Federal Grants	$ 653,790
State and Local Grants	143,767
Membership Dues	214,915
Total Receipts	1,012,472
Operating Expenses	
Salaries and Wages	366,621
Employee Benefits	129,101
Staff Expenses	6,564
Office Expenses	52,801
Contractual Services	396,335
Occupancy	34,052
Other Expenses	9,991
Total Operating Expenses	995,465
Operating Income	17,007
Non-Operating Receipts	
Interest Income	34
Total Non-Operating Receipts	34
Net Income	17,041
Net Position at Beginning of Year	333,883
Net Position at End of Year	$ 350,924

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY, OHIO
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Cash Flows from Operating Activities		
Cash Received from Grants	$	797,557
Cash Received from Dues		214,915
Cash Paid for Employee Benefits		(129,101)
Cash Payments to Suppliers for Goods and Services		(499,743)
Cash Payments to Employees for Services		(366,878)
Net Provided by Operating Activities		16,750
Cash Flows from Investing Activities		
Interest Received		34
Net Cash Flows Provided by Investing Activities		34
Net Increase in Cash		16,784
Cash at Beginning of Year		340,273
Cash at End of Year	$	357,057
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	17,007
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
(Decrease) in Operating Liabilities:		
Payroll Withholdings		(257)
Total Adjustments		(257)
Net Cash Provided by Operating Activities	$	16,750

See accompanying notes to the basic financial statements.

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

A. **Description of the Entity**

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

NEFCO is supported by grants and by local dues paid by various political subdivisions served; such local dues are generally assessed at $.18 per capita per year. These dues serve as the primary local matching sources for certain federal and state grants. NEFCO received a total of $214,915 during fiscal year 2022.

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

B. **Basis of Accounting**

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

C. **Basis of Presentation**

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

D. **Property, Plant and Equipment**

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

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

E. **Accumulated Leave**

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

F. **Net Position**

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

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

G. **Leases**

NEFCO is the lessee for a building lease for office space and a postage machine. Lease payables are not reflected under NEFCO's modified cash basis of accounting. Lease disbursements are recognized when they are paid.

NOTE 2: **CHANGE IN ACCOUNTING PRINCIPLES**

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

GASB Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature. These changes were incorporated in the NEFCO's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 98, *The Annual Comprehensive Financial Report.* The objective of this Statement is to establish the term *annual comprehensive financial report* and its acronym *ACFR.* These changes were incorporated in NEFCO's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 87, *Leases and* GASB Implementation Guide 2019-3, *Leases.* The objective of this Statement and guide is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. These changes were incorporated in NEFCO's financial statements; however, there was no effect on the beginning net position/fund balance.

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

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

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

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

Interim Monies - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Deposits - At June 30, 2022, the carrying amount of NEFCO's deposits was $357,057. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2022, $283,962 of NEFCO's bank balance of $348,331 was covered by Federal Depository Insurance and $41,258 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the NEFCO, and $23,111 was uninsured and uncollateralized. NEFCO's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

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

> Eligible securities pledged to NEFCO and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institutions. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of NEFCO's financial institutions had enrolled in OPCS as of June 30, 2022.

Investments - NEFCO had no investments at June 30, 2022.

NOTE 4: OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Cost-of-living adjustments for OPERS members in 2022 will be 3 percent for all those eligible to receive the annual benefit increase.

A death benefit of $500 - $2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the combined plan will be consolidated under the Traditional pension plan (defined benefit plan) and the Combined plan will no longer be available for new hires beginning in 2022.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

	State and Local
2021-2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2021-2022 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. NEFCO's contractually required contributions subsequent to the measurement date was $31,545 for fiscal year ending June 30, 2022.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NEFCO's proportion of the net pension liability/asset was based on the NEFCO's share of contributions to the pension plan relative to the contributions of all participating entities.

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

Net Pension Liability

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

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability Prior Measurement Date	0.002338%
Proportion of the Net Pension Liability Current Measurement Date	0.002643%
Change in Proportionate Share	0.000305%
Proportionate Share of the Net Pension Liability	$ 229,954

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

Actuarial Assumptions - OPERS

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 15.3 percent for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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

Actuarial Assumptions - OPERS

The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	100.00 %	4.21 %

Discount Rate The discount rate used to measure the total pension liability was 6.9 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of NEFCO's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what NEFCO's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.2 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
NEFCO's proportionate share of the net pension liability	$ 606,278	$ 229,954	$ 83,202

NOTE 5: **DEFINED BENEFIT OPEB PLAN**

Net OPEB Asset

The net OPEB asset represents an asset to employees for OPEB. 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 already have occurred.

The net OPEB asset represents NEFCO's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB asset 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 NEFCO's obligation for this asset to annually required payments. NEFCO cannot control benefit terms or the manner in which OPEB are financed; however, NEFCO does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes any 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 asset. Resulting adjustments to the net OPEB asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2021, measurement date health care valuation.

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of covered payroll. In 2021-2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021-2022, OPERS did not allocate any employer contributions to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

Net OPEB Asset

The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021-2022 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. NEFCO did not have any contributions for fiscal year ending June 30, 2022.

The net OPEB liability and total OPEB liability were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. NEFCO's proportion of the net OPEB liability was based on NEFCO's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability	
Prior Measurement Date	0.002178%
Proportion of the Net OPEB Asset	
Current Measurement Date	0.002460%
Change in Proportionate Share	0.000282%
Proportionate Share of the Net OPEB (Asset)	$ (77,055)

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used the following actuarial assumptions and methods, reflecting experience study results, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

Actuarial Assumptions – OPERS

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.00 percent
Health Care Cost Trend Rate	8.50 percent initial, 3.50 percent ultimate in 2035
Actuarial Cost Method	Individual Entry Age

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

The most recent experience study was completed for the five-year period ended June 30, 2015.

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

During 2021, 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.

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

Actuarial Assumptions – OPERS

The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested for the Health Care portfolio was a gain of 14.3 percent for 2021.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00 %	3.45 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

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

Actuarial Assumptions – OPERS

Sensitivity of NEFCO's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents NEFCO's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what NEFCO's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
NEFCO's proportionate share of the net OPEB (asset)	$ (45,313)	$ (77,055)	$ (103,394)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
NEFCO's proportionate share of the net OPEB (asset)	($77,884)	($77,055)	($76,063)

NOTE 6: RISK MANAGEMENT

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

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

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

NOTE 7: CONTINGENT LIABILITIES

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

NOTE 8: OPERATING LEASE

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

NOTE 9: COVID-19

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

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION SUMMIT COUNTY, OHIO SCHEDULE OF INDIRECT COSTS AND COST ALLOCATION METHOD JUNE 30, 2022

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

The indirect cost allocation rate for the fiscal year ended June 30, 2022 was as follows:

A.	Indirect Costs for all Projects	$	211,955
B.	Total Direct Salaries and Fringes		367,617
C.	Allocation Percentage (A/B)		57.66%

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2021:

Indirect Payroll (including Compensated Time)	$	81,000
Indirect Payroll (Vacation/Sick/Holiday/Birthday)		47,104
Travel		4,043
Insurance		2,310
Memberships and Licenses		2,308
Professional Fees (Legal, Audit, Accounting, Consulting)		4,427
Copying		411
Equipment Rental		1,500
Office Supplies and Telephone		2,460
Meeting Expense		676
Postage		299
Subscriptions		4,324
Computer Supplies and Equipment		28,388
Services and Interest Charges		194
Office Rent		30,122
Internet Access/Website		1,082
Payroll Processing Charges		407
Storage		900
Total Indirect Costs	$	211,955

The management's discussion and analysis of the Northeast Ohio Four County Regional Planning and Development Organization's (NEFCO) financial performance provides an overall review of NEFCO's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at NEFCO's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of NEFCO's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- Net Position was $333,883 at June 30, 2021, an increase of $59,740 from the prior year.
- Revenues were $1,028,610 in fiscal year 2021 compared to $374,532 in fiscal year 2020, an increase of $654,078 or 175 percent.
- NEFCO had $968,870 in expenses in fiscal year 2021 compared to $440,570 in fiscal year 2020, an increase of $528,300 or 120 percent.

Basis of Accounting

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

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

Using this Annual Financial Report

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

Statements of Net Position

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

The following schedule provides a summary of NEFCO's Statement of Net Position for fiscal years ended June 30, 2021, and June 30, 2020.

Table 1 - Statement of Net Position

	2021	2020
Assets		
Current Assets	$ 340,273	$ 279,366
Total Assets	340,273	279,366
Liabilities		
Payroll Withholdings	6,390	5,223
Toal Liabilities	6,390	5,223
Net Postion		
Unrestricted	333,883	274,143
Total Net Position	$ 333,883	$ 274,143

Total assets increased by $60,907 in 2021 and total liabilities increased by $1,167. The increase in total assets was due to the increase in cash due to the increase in grant receipts in fiscal year 2021.

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

Table 2 compares NEFCO's 2021, and 2020, receipts, expenses, and changes in net position.

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

	2021	2020
Receipts		
Federal Grants	$ 658,261	$ 77,854
State and Local Grants	137,557	97,634
Membership Dues	232,715	196,875
Interest	77	2,169
Total Receipts	1,028,610	374,532
Expenses		
Salaries and Wages	361,986	278,960
Employee Benefits	123,590	95,759
Staff Expenses	3,469	3,929
Office Expenses	13,710	14,382
Contractual Services	415,298	4,225
Occupancy	38,034	31,884
Other Expenses	12,774	11,431
Interest Expense	9	-
Total Expenses	968,870	440,570
Change in Net Position	$ 59,740	$ (66,038)

Receipts increased by $654,078 in fiscal year 2021, primarily due to the increase in federal, state, and local grant funds in the amount of $620,330. This increase is attributed to NEFCO receiving two new federal grants in fiscal year 2021. Total expenses increased by $528,300, primarily due to the increase in contractual services and salaries and wages in the amount of $411,073 and 83,026, respectively. NEFCO had significant drawdowns from their USEPA grant federal account that was passed through to a subrecipient which caused the large increase in contractual expenses. The new EDA grant enabled NEFCO to hire a new full time employee which increased the salaries and wages expense in fiscal year 2021.

Capital Assets

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

Debt

NEFCO has no debt outstanding at the end of fiscal years 2021 and 2020.

Contacting the Organization's Financial Management

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

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY, OHIO
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2021

Assets	
Current Assets	
Cash	$ 340,273
Total Assets	340,273
Liabilities	
Payroll Withholdings	6,390
Total Liabilities	6,390
Net Position	
Unrestricted	333,883
Total Net Position	$ 333,883

See accompanying notes to the basic financial statements.

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, EXPENSES, AND CHANGES IN NET POSITION – MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Operating Receipts	
Federal Grants	$ 658,261
State and Local Grants	137,557
Membership Dues	232,715
Total Receipts	1,028,533
Operating Expenses	
Salaries and Wages	361,986
Employee Benefits	123,590
Staff Expenses	3,469
Office Expenses	13,710
Contractual Services	415,298
Occupancy	38,034
Other Expenses	12,774
Total Operating Expenses	968,861
Operating Income	59,672
Non-Operating Receipts (Expenses)	
Interest Income	77
Interest Expenses	(9)
Total Non-Operating Receipts (Expenses)	68
Net Income	59,740
Net Position at Beginning of Year	274,143
Net Position at End of Year	$ 333,883

See accompanying notes to the basic financial statements.

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY, OHIO
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Cash Flows from Operating Activities		
Cash Received from Grants	$	795,818
Cash Received from Dues		232,715
Cash Paid for Employee Benefits		(123,590)
Cash Payments to Suppliers for Goods and Services		(483,285)
Cash Payments to Employees for Services		(360,819)
Net Provided by Operating Activities		60,839
Cash Flows from Investing Activities		
Interest Received		77
Net Cash Flows Provided by Investing Activities		77
Cash Flows from Non-Capital Financing Activities		
Interest Expense		(9)
Net Cash Flows Used in Non-Capital Financing Activities		(9)
Net Increase in Cash		60,907
Cash at Beginning of Year		279,366
Cash at End of Year	$	340,273
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	59,672
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Increase in Operating Liabilities:		
Payroll Withholdings		1,167
Total Adjustments		1,167
Net Cash Provided by Operating Activities	$	60,839

See accompanying notes to the basic financial statements.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

NEFCO is supported by grants and by local dues paid by various political subdivisions served; such local dues are generally assessed at $.18 per capita per year. These dues serve as the primary local matching sources for certain federal and state grants. NEFCO received a total of $232,715 during fiscal year 2021.

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

B. Basis of Accounting

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

C. Basis of Presentation

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

D. Property, Plant and Equipment

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

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

E. **Accumulated Leave**

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

F. **Net Position**

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

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

NOTE 2: **CHANGE IN ACCOUNTING PRINCIPLES**

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

GASB Statement No. 93, *Replacement of Interbank Offered Rates.* The objective of this Statement is to address those and other accounting and financial reporting implication that result from the replacement of an IBOR. The implementation of this Statement did not have an effect on the financial statements of NEFCO.

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

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

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

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

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

Interim Monies - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Deposits - At June 30, 2021, the carrying amount of NEFCO's deposits was $340,273. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2021, $292,950 of NEFCO's bank balance of $341,039 was covered by Federal Depository Insurance and $35,324 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the NEFCO, and $12,765 was uninsured and uncollateralized. NEFCO's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

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

> Eligible securities pledged to NEFCO and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institutions. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of NEFCO's financial institutions had enrolled in OPCS as of June 30, 2021.

Investments - NEFCO had no investments at June 30, 2021.

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

Net Pension Liability

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

A death benefit of $500 - $2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

	State and Local
2020-2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2020-2021 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. NEFCO's contractually required contributions subsequent to the measurement date was $26,603 for fiscal year ending June 30, 2021.

Net Pension Liability

The net pension liability/asset for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. The NEFCO's proportion of the net pension liability/asset was based on the NEFCO's share of contributions to the pension plan relative to the contributions of all participating entities.

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

Net Pension Liability

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

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability Prior Measurement Date	0.001518%
Proportion of the Net Pension Liability Current Measurement Date	0.002338%
Change in Proportionate Share	0.000820%
Proportionate Share of the Net Pension Liability	$ 346,207

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

Actuarial Assumptions - OPERS

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

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.7 percent for 2020.

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

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

Actuarial Assumptions - OPERS

The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
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	100.00 %	5.43 %

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

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
NEFCO's proportionate share of the net pension liability	$ 660,391	$ 346,207	$ 84,963

NOTE 5: **DEFINED BENEFIT OPEB PLAN**

Net OPEB Asset

The net OPEB asset represents an asset to employees for OPEB. 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 already have occurred.

The net OPEB asset represents NEFCO's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB asset 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 NEFCO's obligation for this asset to annually required payments. NEFCO cannot control benefit terms or the manner in which OPEB are financed; however, NEFCO does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes any 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 asset. Resulting adjustments to the net OPEB asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020-2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020-2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. NEFCO did not have any contributions for fiscal year ending June 30, 2021.

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

Net OPEB Liability/Asset

The net OPEB liability and total OPEB liability were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. NEFCO's proportion of the net OPEB liability was based on NEFCO's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

		OPERS
Proportion of the Net OPEB Liability		
Prior Measurement Date		0.001413%
Proportion of the Net OPEB Asset		
Current Measurement Date		0.002178%
Change in Proportionate Share		0.000765%
Proportionate Share of the Net OPEB (Asset)	$	(38,803)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.00 percent
Health Care Cost Trend Rate	8.50 percent initial, 3.50 percent ultimate in 2035
Actuarial Cost Method	Individual Entry Age

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

Actuarial Assumptions – OPERS

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

The most recent experience study was completed for the five-year period ended June 30, 2015.

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

During 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 was 10.5 percent for 2020.

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

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

Actuarial Assumptions – OPERS

The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	100.00 %	4.43 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

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

Actuarial Assumptions – OPERS

Sensitivity of NEFCO's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents NEFCO's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what NEFCO's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
NEFCO's proportionate share of the net OPEB (asset)	$ (9,649)	$ (38,803)	$ (62,770)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
NEFCO's proportionate share of the net OPEB (asset)	($39,749)	($38,803)	($37,745)

NOTE 6: **RISK MANAGEMENT**

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

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

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

NOTE 7: **CONTINGENT LIABILITIES**

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

NOTE 8: **OPERATING LEASE**

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

NOTE 9: **COVID-19**

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

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY, OHIO
SCHEDULE OF INDIRECT COSTS AND COST ALLOCATION METHOD
JUNE 30, 2021

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

The indirect cost allocation rate for the fiscal year ended June 30, 2021 was as follows:

A.	Indirect Costs for all Projects	$	188,964
B.	Total Direct Salaries and Fringes		379,975
C.	Allocation Percentage (A/B)		49.73%

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2021:

Indirect Payroll (including Compensated Time)	$	75,955
Indirect Payroll (Vacation/Sick/Holiday)		29,646
Travel		2,979
Insurance		2,154
Memberships and Licenses		10,751
Professional Fees (Legal, Audit, Accounting, Consulting)		15,523
Copying		48
Equipment Rental		2,004
Office Supplies and Telephone		6,593
Meeting Expense		150
Postage		316
Subscriptions		3,699
Computer Supplies and Equipment		6,477
Services and Interest Charges		178
Office Rent		30,122
Internet Access/Website		1,082
Payroll Processing Charges		387
Storage		900
Total Indirect Costs	$	188,964

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

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

To the Members of the General Policy Board:

We have audited, in accordance with 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 *(Government Auditing Standards)*, the modified cash-basis financial statements of the business-type activities of the Northeast Ohio Four County Regional Planning and Development Organization, Summit County, (NEFCO) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise NEFCO's basic financial statements and have issued our report thereon dated February 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the modified cash-basis financial statements, we considered NEFCO's internal control over financial reporting (internal control) as a basis for designing 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 NEFCO's internal control. Accordingly, we do not express an opinion on the effectiveness of NEFCO'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 NEFCO'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NEFCO's modified cash-basis 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Keith Faber
Auditor of State
Columbus, Ohio

February 17, 2023

OHIO AUDITOR OF STATE
KEITH FABER

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 3/28/2023

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