



**EASTGATE REGIONAL COUNCIL OF
GOVERNMENTS
MAHONING COUNTY**

**SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2019**

OHIO AUDITOR OF STATE
KEITH FABER



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

Board of Directors
Eastgate Regional Council of Governments
100 East Federal Street, Suite 1000
Youngstown, Ohio 44503

We have reviewed the *Independent Auditor's Report* of the Eastgate Regional Council of Governments, Mahoning County, prepared by Canter & Associates, for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 24, 2020

This page intentionally left blank.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Managements' Discussion and Analysis	4
Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Net Position.....	11
Statement of Cash Flows	12
Notes to the Financial Statements	13
Schedule of Proportionate Share of the Net Pension Liability (OPERS-Traditional).....	29
Schedule of Contributions (OPERS-Traditional).....	30
Schedule of Proportionate Share of the Net OPEB Liability.....	31
Schedule of Contributions OPEB	32
Notes to Required Supplementary Information	33
Schedule of Expenditures of Federal Awards	35
Notes to the Schedule of Expenditures of Federal Awards	36
Independent Auditors' Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	37
Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required By <i>the Uniform Guidance</i>	39
Schedule of Fringe Benefits and Computation of Fringe Benefit Rates.....	41
Schedule of Indirect Costs and Computation of Indirect Cost Rates	42
Schedule of Revenue and Expenditures	
FHWA/ODOT Grant	43
FHWA/ODOT – Multimodal Planning	44
ODOT – STP	45
ODOT – CMAQ Ozone.....	46
ODOT – CMAQ Ozone-Carryover	47
ODOT – CMAQ Rideshare	48
U.S. Department of Commerce (EDA).....	49
EPA – Water Quality Planning – 604(B)	50
Appalachian Regional Development-Federal.....	51

Appalachian Regional Development-State.....	52
Schedule of Findings	53



6400 OLDE STONE CROSSING
POLAND, OHIO 44514
PH: 330.707.9035
FAX: 888.516.1186

CERTIFIED PUBLIC ACCOUNTANTS

WWW.CANTERCPA.NET

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Eastgate Regional Council of Governments (Council), Mahoning County, Youngstown, Ohio as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of Eastgate Regional Council of Governments (Council), Mahoning County, Youngstown, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

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

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

We did not subject The Schedules of Fringe Benefits and Computation of Fringe Benefits Rates, Indirect Costs and Computation of Indirect Cost Rates, and Revenues and Expenditures for ODOT, U.S. Department of Commerce, EPA and Appalachian Regional Development to the auditing procedures applied in the audit of the basis financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2019, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



CANTER & ASSOCIATES
Poland, Ohio
December 24, 2019

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019*

(Unaudited)

The discussion and analysis of Eastgate Regional Council of Governments (Eastgate) financial performance provides an overall review of Eastgate's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at Eastgate's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements, themselves to enhance their understanding of Eastgate's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

Overall:

- For business-type activities, net position increased \$82,852 to \$(1,018,377) from fiscal year 2018.
- Eastgate had \$2,926,690 in expenses related to business-type activities and \$485,328 of these expenses were offset by operating revenues and \$2,524,214 by non-operating revenues.
- The business-type activities revenue increased \$1,144,137 or 62% to \$3,009,542.

Using this financial Report

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

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

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019*

(Unaudited)

Reporting Eastgate as a Whole

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

While this document contains the fund used by Eastgate to provide its programs, the view of Eastgate as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position answers this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting Eastgate's Fund

Fund Financial Statements

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

Eastgate as a Whole

Business-type activities

Table 1 shows net position for fiscal years 2019 and 2018 for comparison purposes.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019*

(Unaudited)

Table 1

Business-Type Activities

	<u>2019</u>	<u>2018</u>
Assets		
Current and Other Assets	\$ 1,561,149	\$ 1,049,179
Net Pension Asset	\$ -	\$ 33,911
Capital Assets	<u>103,032</u>	<u>95,220</u>
Total Assets	<u>\$ 1,664,181</u>	<u>\$ 1,178,310</u>
Deferred Outflows of Resources		
Pension	559,103	270,969
OPEB	<u>76,051</u>	<u>58,656</u>
Total Deferred Outflows of Resources	<u>\$ 635,154</u>	<u>\$ 329,625</u>
Liabilities		
Long-term Liabilities		
Net Pension/OPEB Liabilities-	\$ 2,913,870	\$ 1,902,608
Other Amounts	121,933	155,282
Other Liabilities	<u>254,305</u>	<u>224,749</u>
Total Liabilities	<u>\$ 3,290,108</u>	<u>\$ 2,282,639</u>
Deferred Inflows of Resources		
Pension	24,987	267,149
OPEB	<u>2,617</u>	<u>59,376</u>
Total Deferred Outflows of Resources	<u>\$ 27,604</u>	<u>\$ 326,525</u>
Net Position		
Net Investment in Capital Assets	\$ 103,032	\$ 95,220
Unrestricted Net Position	<u>(1,121,409)</u>	<u>(1,196,449)</u>
Total Net Position	<u>\$ (1,018,377)</u>	<u>\$ (1,101,229)</u>

Total assets increased 41% in fiscal year 2019. This increase occurred mainly in accounts receivable.

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019*

(Unaudited)

Table 2
Business-Type Activities

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE		
Membership Dues	\$ 231,152	\$ 227,582
Charges for Services	254,176	101,771
Total Operating Revenue	<u>485,328</u>	<u>329,353</u>
OPERATING EXPENSES		
Salaries & Benefits	1,734,814	1,433,572
Other Expenses	905,920	420,788
General Administrative & Fiscal Costs	141,324	155,395
Occupancy	122,518	118,654
Depreciation	22,114	13,520
Total Operating Expenses	<u>2,926,690</u>	<u>2,141,929</u>
Operating Income (Loss)	<u>(2,441,362)</u>	<u>(1,812,576)</u>
NON-OPERATING REVENUE		
Intergovernmental	2,515,516	1,528,866
Interest Income	8,698	7,186
Total Non-Operating Revenue	<u>2,524,214</u>	<u>1,536,052</u>
Changes in Net Position	82,852	(276,524)
Net Position Beginning of Year	<u>(1,101,229)</u>	<u>(824,705)</u>
Net Position End of Year	<u>\$ (1,018,377)</u>	<u>\$ (1,101,229)</u>

Table 2 shows the change in net position for fiscal years 2019 and 2018 for comparison purposes.

In fiscal year 2019, revenues increased due to increases in federal, state and local grant revenues and increased for charges for services. Expenditures increased from fiscal year 2018, due mostly to pension and OPEB liability increases.

Enterprise Fund Budgeting Highlights

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

Capital Assets and Debt Administration

At the end of the fiscal year 2019, Eastgate had \$103,032 (net) invested in equipment, furniture and fixtures.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019*

(Unaudited)

Current Financial Related Activities

Eastgate receives its funding from the Federal Highway Administration, the Federal Transit Administration, the Ohio Department of Transportation, the Ohio Public Works Commission, Mahoning, Trumbull and Columbiana Counties, and numerous public entities within the counties. Grants for fiscal years 2020 and 2021 appear certain.

GASB 68 NET PENSION LIABILITY and GASB 75 OPEB LIABILITY

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

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

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

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

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019*

(Unaudited)

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

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

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

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

Contacting Eastgate's Financial Management

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Cash & Cash Equivalents	\$ 1,209,300
Accounts Receivable	320,449
Prepaid Expenses	30,073
Security Deposits	1,327
Property and Equipment (net)	<u>103,032</u>
 Total Assets	 <u>1,664,181</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	\$ 559,103
OPEB	<u>76,051</u>
 Total Deferred Outflows of Resources	 <u>635,154</u>

LIABILITIES

Accounts Payable	\$ 5,625
Payroll Withholding	20,012
Accrued Payroll	38,727
Fringe Benefits	12,143
Payroll Liabilities	13,932
Unearned Revenue	109,866
Long-term Liabilities:	
Net Pension Liability	1,949,476
Net OPEB Liability	964,394
Due Within One Year	115,145
Due in more than One Year	<u>60,788</u>
 Total Liabilities	 <u>3,290,108</u>

DEFERRED INFLOW OF RESOURCES

Pension	\$ 24,987
OPEB	<u>2,617</u>
 Total Deferred Inflows of Resources	 <u>27,604</u>

NET POSITION

Net Investment in Capital Assets	\$ 103,032
Unrestricted	<u>(1,121,409)</u>
 Total Net Position	 <u><u>\$ (1,018,377)</u></u>

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

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

OPERATING REVENUE	
Membership Due	\$ 231,152
Charges for Services	254,176
Miscellaneous	<u>0</u>
Total Operating Revenue	<u>485,328</u>
OPERATING EXPENSES	
Salaries	758,354
Other Expenses	269,389
General Administrative and Fiscal Costs	141,324
Computer Updates	23,031
Travel	3,910
Telephone	5,427
Duplicating and Printing	2,033
Machine Rental and Maintenance	1,384
Office Supplies	3,216
Occupancy	122,518
Professional Services	18,314
Miscellaneous	3,041
Depreciation	22,114
USGS Pass-through	570,523
Paid Leave	192,765
Hospitalization	179,711
Payroll Taxes	603,984
Repairs and Maintenance	<u>5,652</u>
Operating Expenses	<u>2,926,690</u>
Operating Income (Loss)	<u>(2,441,362)</u>
NON-OPERATING REVENUE	
Intergovernmental	2,515,516
Interest Income	<u>8,698</u>
Total Non-Operating Revenue	<u>2,524,214</u>
Change in Net Position	<u>\$ 82,852</u>
Net Position Beginning of Year	<u>(1,101,229)</u>
Net Position End of Year	<u>\$ (1,018,377)</u>

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

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Customers	\$ 485,328
Cash Payments to Employees for Services	(952,728)
Cash Payments to Employee Benefits	(344,861)
Cash Payments for Goods and Services	(282,156)
Other Cash Payments	(887,606)

Net Cash Provided by (Used in) Operating Activities (1,982,023)

Cash Flows from Noncapital Financing Activities

Grants Received	<u>2,571,064</u>
-----------------	------------------

Cash Flows from Investing Activities

Interest on Investments	<u>8,698</u>
-------------------------	--------------

Net Increase (Decrease) in Cash and Cash Equivalents 597,739

Cash and Cash Equivalents Beginning of Year 611,561

Cash and Cash Equivalents End of Year \$ 1,209,300

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

Operating Income (Loss) \$ (2,441,362)

Adjustments:

Depreciation	22,114
(Increase) Decrease in Assets:	
Accounts Receivable	(2,559)
Prepaid Expenses	2,854
Deferred Outflows	(305,529)
Pension Asset	33,911
Increase (Decrease) in Liabilities:	
Accounts Payable	(20,946)
Accrued Wages and Benefits	(939)
Compensated Absences	20,651
Payroll Withholding	(670)
Fringe Benefits	(1,358)
Deferred Inflows	(298,921)
Pension/OPEB Liability	1,011,262
Payroll Liabilities	(531)

Total Adjustments 459,339

Net Cash Provided by (Used in) Operating Activities \$ (1,982,023)

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

General

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

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

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

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

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

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

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

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

Method of Accounting

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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

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

Cash and Cash Equivalents

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

Vacation and Sick Leave

Eastgate employees generally earn vacation ranging 10 to 25 days per year based on the length of service. The amount accrued for vacation leave was \$115,145. The amount accrued for sick leave was \$60,788, using the vesting method. These two numbers are included in the long term liabilities.

Net Position

Net Position represents the difference between assets plus deferred outflows less liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Eastgate reports no restricted net position for the fiscal year.

Deferred Outflows and Inflows

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

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

Pensions/Other Post Employment Benefits (OPEB)

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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

Property and Equipment

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

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

State statutes classify monies held by Eastgate into three categories.

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

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

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

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

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

At year end, the carrying amount of Eastgate’s deposits was \$1,209,300, and the bank balance was \$1,297,277. Of the bank balance, \$500,000 was insured by FDIC and \$797,277 was uninsured.

Investments-Eastgate had no investments at June 30, 2019.

3. **DEFINED BENEFIT PENSION**

A. Net Pension Liability

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

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

3. DEFINED BENEFIT PENSION PLAN (continued)

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

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

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

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

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

B. Ohio Public Employees Retirement System (OPERS).

Eastgate participates in OPERS.

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

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

3. DEFINED BENEFIT PENSION PLAN (continued)

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

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

Eastgates required contributions to OPERS for the years ended June 30, 2019, 2018, and 2017 were \$164,138, \$134,331, and \$142,624, respectively, which represent 100 percent contributions for all three years.

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

The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Eastgates proportion of the net pension liability was based on Eastgates share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>Traditional</u>
Proportionate Share of the Net Pension Liability/(Asset)	\$1,949,476
Proportion of the Net Pension Liability/(Asset) Prior Measurement Date	0.00704700%
Proportion of the Net Pension Liability/(Asset) Current Measurement Date	<u>0.00711800%</u>
Change in Proportionate Share	0.00007100%
Pension Expense	\$319,853

At June 30, 2019, Eastgate reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

	Traditional
Deferred Outflows of Resources	
Differences between expected and actual experience	\$91
Change of Assumptions	169,706
Change in Proportionate Share	36,859
Net difference between projected and actual earnings on pension plan investments	264,599
Eastgate contributions subsequent to the measurement date	87,848
Total Deferred Outflows of Resources	\$559,103
Deferred Inflows of Resources	
Differences between expected and actual experience	\$25,597
Change in proportionate share and difference between Eastgate contributions and proportionate share of contributions	(610)
Total Deferred Inflows of Resources	\$24,987

\$87,848 reported as deferred outflows of resources related to pension resulting from Eastgate contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional
Fiscal Year Ending June 30:	
2020	\$211,623
2021	87,040
2022	24,548
2023	123,057
Total	\$446,268

Actuarial Assumptions - PERS

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2017, are presented below:

Experience Study	5-Year Period Ended December 31, 2015
Wage Inflation	3.25%
Future Salary Increases, Including Inflation	3.25% - 10.75% (traditional)
COLA or Ad hoc COLA	3% through 2018, then 2.15% Simple
Investment Rate of Return	7.5%
Actuarial Cost Method	Individual Entry Age

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

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 2.94% for 2018.

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

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Eastgate's Proportionate Share of the Net Pension Liability (\$ in millions):			
Traditional	\$ 2.88	\$ 1.95	\$ 1.18

4. DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

A. Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. The net OPEB liability has been disclosed below.

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

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

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

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

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

B. Plan Description

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

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

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2018 CAFR for details.

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017 and 2016, Eastgate contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

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

For 2018, the employer contribution allocated for health care to the traditional and combined plan was zero.

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contributions as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Eastgate contributions for the year ended June 30, 2019, which were used to fund postemployment benefits were zero.

The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. Eastgates proportion of the net OPEB liability was based on Eastgates share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	Traditional
Proportionate Share of the Net OPEB Liability/(Asset)	\$964,394
Proportion of the Net OPEB Liability/(Asset)	0.00007397%
Pension Expense	\$93,170

At June 30, 2018, Eastgate reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Traditional
Deferred Outflows of Resources	
Differences between expected and actual experience	\$327
Net difference between projected and actual earnings on pension plan investments	44,212
Change of Assumptions	31,093
Change in Proportionate Share	419
Total Deferred Outflows of Resources	<u><u>\$76,051</u></u>
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	<u>\$2,617</u>
Total Deferred Inflows of Resources	<u><u>\$2,617</u></u>

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

	Traditional
Fiscal Year Ending June 30:	
2020	\$34,772
2021	9,101
2022	7,287
2023	22,274
Total	\$73,434

Actuarial Assumptions - PERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2017, are presented below:

Experience Study	5-Year Period Ended December 31, 2015
Future Salary Increases, Including Inflation	3.25%-10.75%
Actuarial Assumptions	
Single Discount Rate	3.96%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Wage Inflation	3.25%
Actuarial Cost Method	Individual entry age normal
Health Care Cost Trend Rate	10.0% initial, 3.25% ultimate in 2029

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	34.00%	2.42%
Domestic Equities	21.00	6.21
REITS	6.00	5.98
International Equities	22.00	7.83
Other Investment	17.00	5.57
TOTAL	100.00%	5.16%

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members.

Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60% for 2018.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Discount Rate The discount rate used to measure the total OPEB liability was 3.96%. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of Eastgate's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.96 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.96 percent), or one percentage point higher (4.86 percent) than the current rate. Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (9.0%) and higher (11.0%) than the current rate of 10.0%.

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Eastgate's Proportionate Share of the Net OPEB Liability (\$ in millions):	\$ 1.23	\$ 0.96	\$ 0.75
	1% Decrease (9.0%)	Current Trend Rate (10.0%)	1% Increase (11.0%)
Eastgate's Proportionate Share of the Net OPEB Liability (\$ in millions):	\$ 0.93	\$ 0.96	\$ 1.01

5. ACCUMULATED FRINGE BENEFITS

Accumulated fringe benefits include accrued employee hospitalization of \$2,192 and accrued employee share of OPERS of \$9,951 for a total of \$12,143.

6. LEASE

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Minimum future rental commitments under a non-cancelable operating lease having a remaining term of 42 months are as follows:

July 1, 2019-December 2019	\$53,504
January 1, 2020-December 31, 2020	109,016
January 1, 2021-December 31, 2021	109,016
TOTAL MINIMUM PAYMENTS REQUIRED	\$374,528

7. COST ALLOCATION METHOD

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

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

8. CONTINGENCIES

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

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Equipment, Furniture and Fixtures	\$ 395,869	\$ 43,064	\$ (267,564)	\$ 171,369
Accumulated Depreciation	(300,649)	(22,114)	254,426	(68,337)
Net Capital Assets	<u>\$ 95,220</u>	<u>\$ 20,950</u>	<u>\$ (13,138)</u>	<u>\$ 103,032</u>

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

10. RISK MANAGEMENT

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

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

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

11. LONG TERM OBLIGATIONS

The change in long-term obligations of Eastgate during fiscal year 2019 were as follows:

	Balance 6/30/2018	Increases	Decreases	Balance 6/30/2019	Amount Due Within One Year
Compensated Absences	\$ 155,282	\$ 165,080	\$ 144,429	\$ 175,933	\$ 115,145

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

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

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

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
June 30, 2019

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

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

(1) Information prior to 2013 is not available.

Amounts presented as of the EASTGATE'S measurement date which is December 31, 2017.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
June 30, 2019

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

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

(1) Information prior to 2013 is not available.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

June 30, 2019

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

	2018	2017	2016
EASTGATE'S Proportion of the Net OPEB Liability	0.00739700%	0.00734000%	0.00734000%
EASTGATE'S Proportionate Share of the Net OPEB Liability	\$964,394	\$797,070	\$741,365
EASTGATE'S Covered-Employee Payroll	\$1,641,380	\$1,210,680	\$1,426,240
EASTGATE'S Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	58.76%	65.84%	51.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	65.84%	N/A

(1) Information prior to 2017 is not available.

Amounts presented as of the EASTGATE'S measurement date which is December 31, 2018.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

June 30, 2019

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

	<u>2019 (2)</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013 (1)</u>
Contractually Required Contribution	\$0	\$10,543	\$2,037	\$9,795	\$9,156	\$9,156	\$5,209
Contributions in Relation to the Contractually Required Contribution	\$0	(\$10,543)	(\$2,037)	(\$9,795)	(\$9,156)	(\$9,156)	(\$5,209)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Eastgate Covered-Employee Payroll	\$0	\$1,054,300	\$203,700	\$979,500	\$915,600	\$915,600	\$520,900
Contributions as a Percentage of Covered-Employee Payroll	0.00%	1.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) Information prior to 2013 is not available.

(2) Effective 2019 the contribution rate was 0%

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2019, the following changes of assumptions affected the total pension liability since the prior measurement date:

- (a) the expected investment return was reduced from 7.50% to 7.20%,

There were no changes in methods and assumptions used in the calculation of actuarial contributions for fiscal year 2019.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2018-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017-2018. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (a) the expected investment return was reduced from 7.50% to 6.00%,
- (b) projected future contributions were sufficient to cover health care costs through 2034 was reduced to 2031

There were no changes in methods and assumptions used in the calculation of actuarial contributions for fiscal year 2019.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation:</i>			
Federal Highway Administration:			
Highway Research	107010	20.205	\$ 826,924
STP	99903	20.205	130,000
Air Quality Program	97673	20.205	152,000
Air Quality Program Carryover	97671	20.205	2,546
Rideshare Program	97674	20.205	55,800
Multimodal Planning	108848	20.205	<u>39,437</u>
Total U.S. Department of Transportation			<u>1,206,707</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through Ohio Department of Environmental Protection Agency</i>			
Water Quality Planning (EPA)	604(b)	66.454	<u>125,267</u>
			125,267
APPALACHIAN REGIONAL COMMISSION			
Appalachian Regional Development	OH-707-E-C10-19	23.009	<u>47,500</u>
			47,500
U.S. DEPARTMENT OF COMMERCE			
Planning Program	ED16CHI3020017	11.302	<u>70,000</u>
			70,000
Total			<u><u>\$1,449,474</u></u>

The accompanying notes are an integral part of this schedule.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FISCAL YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Eastgate Regional Council of Governments (the Government's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Government.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - MATCHING REQUIREMENTS

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

NOTE D – SUBRECIPIENTS

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

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



6400 Olde Stone Crossing
Poland, Ohio 44514
Ph: 330.707.9035
Fax: 888.516.1186

CERTIFIED PUBLIC ACCOUNTANTS

WWW.CANTERCPA.NET

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

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

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Eastgate Regional Council of Governments (Council), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated December 24, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CANTER & ASSOCIATES

Poland, Ohio

December 24, 2019



6400 Olde Stone Crossing
Poland, Ohio 44514
Ph: 330.707.9035
Fax: 888.516.1186

CERTIFIED PUBLIC ACCOUNTANTS

WWW.CANTERCPA.NET

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

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

To the Board of Directors:

Report on Compliance for The Major Federal Program

We have audited Eastgate Regional Council of Government's (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Council's major federal program for the year ended June 30, 2019. The Council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on The Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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



CANTER & ASSOCIATES

Poland, Ohio

December 24, 2019

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF FRINGE BENEFITS AND
COMPUTATION OF FRINGE BENEFIT RATES
For the Fiscal Year Ended June 30, 2019**

	<u>Actual Rates</u>	<u>ODOT Approved Provisional Rate</u>
Fringe Benefits		
Sick, Vacation and Holiday Pay	\$ 192,764	\$ 212,362
Hospitalization and Life Insurance	179,711	175,000
OPERS	146,891	163,808
Worker's Compensation, Unemployment & Medicare	16,371	21,151
Total Fringe Benefit Costs (A)	<u>535,737</u>	<u>572,321</u>
Direct and Administrative Salaries		
Direct Salaries	\$ 758,354	\$ 824,638
Indirect Salaries - Administrative	139,577	133,054
Total Direct & Administrative Salaries (B)	<u>897,931</u>	<u>957,692</u>
Fringe Benefits Rate (A/B)	59.66%	59.76%

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS AND
COMPUTATION OF INDIRECT COST RATES
For the Fiscal Year Ended June 30, 2019**

	<u>Actual Rates</u>	<u>ODOT Approved Provisional Rate</u>
INDIRECT COSTS		
Administrative and Fiscal Management	\$ 139,577	\$ 133,054
Fringe Benefits for Indirect Salaries	83,277	79,514
Postage	708	500
Travel	3,910	10,000
Telephone	5,427	4,000
Machine Rental and Maintenance	7,036	1,000
Duplication and Printing	2,033	7,300
Office Supplies	2,508	8,000
Depreciation	22,114	19,000
Office Rent, Utilities & Insurance	122,518	120,000
Legal/Audit/Bookkeeping	18,314	25,000
Computer Supplies/Equipment	23,031	13,781
Dues	755	3,000
Miscellaneous	3,041	-
Subscriptions/Bank Service Charges	992	350
TOTAL INDIRECT COSTS (A)	<u>435,241</u>	<u>424,499</u>
DIRECT SALARIES (B)	<u>758,354</u>	<u>824,638</u>
INDIRECT COST RATE (A/B)	57.39%	51.48%

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 FHWA/ODOT GRANT - PID 107010
 SCHEDULE OF REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019

	ACTUAL
Revenue:	
FHWA Grant Funds	\$ 735,043
ODOT Grant Funds	91,880
Local Match	91,880
Total Revenue	918,803
Expenditures:	
Direct Salaries	405,829
Direct Expenditures	45,703
Fringe Benefits	235,584
Indirect Costs	231,687
Total Expenditures	918,803
Revenue Over/Under Expenditures	-
Grant Funds Received	826,923
90% of Total Expenditures	826,923
Amount in Excess of 90%	\$ 0

Note: Effective Fiscal Year 2009, Eastgate adopted the **PROVISIONAL RATE METHOD** of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 59.76% for Fringe Benefits and 51.48% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.66% for Fringe Benefits and 57.39% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 FHWA/ODOT MULTIMODAL PLANNING - PID 108848
 SCHEDULE OF REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019

	Actual
Revenue:	
FHWA Grant Funds	\$ 39,436
Local Match	9,859
	49,295
Total Revenue	49,295
Expenditures:	
Direct Salaries	22,913
Direct Expenditures	-
Fringe Benefits	13,301
Indirect Costs	13,081
	49,295
Total Expenditures	49,295
Grant Funds Received	39,436
80% of Total Expenditures	39,436
Revenue Over/Under Expenditures	\$ -

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 59.76% for Fringe Benefits and 51.48% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.66% for Fringe Benefits and 57.39% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT STP - PID 99903
 SCHEDULE OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019

	ACTUAL
Revenue:	
Grant Funds	\$ 130,000
Total Revenue	130,000
Expenditures:	
Direct Salaries	60,144
Direct Expenditures	3,271
Fringe Benefits	35,942
Indirect Costs	30,962
Total Expenditures	130,319
Revenue Over/Under Expenditures	(319)
Grant Funds Received	130,000
100% of Total Expenditures	130,319
Amount in Excess of 100%	\$ (319)

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 59.76% for Fringe Benefits and 51.48% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.66% for Fringe Benefits and 57.39% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT CMAQ OZONE - PID 97673
 SCHEDULE OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019

	ACTUAL
Revenue:	
Grant Funds	\$ 152,000
Local Match	-
	152,000
Total Revenue	152,000
Expenditures:	
Direct Salaries	17,724
Direct Expenditures	117,760
Fringe Benefits	10,592
Indirect Costs	9,124
	155,200
Total Expenditures	155,200
Revenue Over/Under Expenditures	(3,200)
Grant Funds Received	152,000
100% of Total Expenditures	155,200
Amount in Excess of 100%	\$ (3,200)

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 59.76% for Fringe Benefits and 51.48% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.66% for Fringe Benefits and 57.39% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT CMAQ OZONE CARRYOVER - PID 97671
 SCHEDULE OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019

	ACTUAL
Revenue:	
Grant Funds	\$ 2,546
Local Match	-
	-
Total Revenue	2,546
Expenditures:	
Direct Salaries	-
Direct Expenditures	2,546
Fringe Benefits	-
Indirect Costs	-
	-
Total Expenditures	2,546
Revenue Over/Under Expenditures	-
Grant Funds Received	2,546
100% of Total Expenditures	2,546
Amount in Excess of 100%	\$ -

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 59.76% for Fringe Benefits and 51.48% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.66% for Fringe Benefits and 57.39% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT CMAQ-RIDESHARE - PID 97674
 SCHEDULE OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019

	ACTUAL
Revenue:	
Grant Funds	\$ 55,800
Expenditures:	
Direct Salaries	14,353
Direct Expenditures	24,921
Fringe Benefits	8,332
Indirect Costs	8,194
Total Expenditures	55,800
Revenue Over/Under Expenditures	-
Grant Funds Received	55,800
100% of Total Expenditures	55,800
Amount in Excess of 100%	\$ -

Note:

Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 59.76% for Fringe Benefits and 51.48% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.66% for Fringe Benefits and 57.39% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
U.S. DEPARTMENT OF COMMERCE (EDA)
SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

	ACTUAL
Revenue:	
Grant Funds	\$ 70,000
Local Match	70,000
Total Revenue	140,000
Expenditures:	
Direct Salaries	62,180
Direct Expenditures	8,953
Fringe Benefits	37,159
Indirect Costs	32,010
Total Expenditures	140,302
Revenue Over/Under Expenditures	(302)
Grant Funds Received	70,000
50% of Total Expenditures	70,151
Amount in Excess of 50 %	\$ (151)

Note:

Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 59.76% for Fringe Benefits and 51.48% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.66% for Fringe Benefits and 57.39% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 EPA-WATER QUALITY PLANNING - 604(B)
 SCHEDULE OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019

	ACTUAL
Revenue:	
Grant Funds	\$ 125,267
Local Match	32,000
Total Revenue	157,267
Expenditures:	
Element #1200.01	
Direct Salaries	22,553
Direct Expenditures	3,592
Fringe Benefits	13,478
Indirect Costs	11,610
Total Expenditures Element #1200.01	51,233
Element #1200.02	
Direct Salaries	48,026
Direct Expenditures	5,720
Fringe Benefits	28,701
Indirect Costs	24,724
Total Expenditures Element #1200.02	107,171
Total Expenditures	158,404
Revenue Over/Under Expenditures	(1,137)
Grant Funds Received	157,267
100% of Total Expenditures	158,404
Amount in Excess of 100%	\$ (1,137)

Note:

Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 59.76% for Fringe Benefits and 51.48% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.66% for Fringe Benefits and 57.39% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 APPALACHIAN REGIONAL DEVELOPMENT-FEDERAL
 SCHEDULE OF REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019

	ACTUAL
Revenue:	
Grant Funds	\$ 47,500
Total Revenue	47,500
Expenditures:	
Direct Salaries	43,874
Direct Expenditures	3,053
Fringe Benefits	26,219
Indirect Costs	22,586
Total Expenditures	95,732
Revenue Over/Under Expenditures	(48,232)
Grant Funds Received	47,500
50% of Total Expenditures	47,866
Amount in Excess of 100%	\$ (366)

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 59.76% for Fringe Benefits and 51.48% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.66% for Fringe Benefits and 57.39% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 APPALACHIAN REGIONAL DEVELOPMENT-STATE
 SCHEDULE OF REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019

	ACTUAL
Revenue:	
Grant Funds	\$ 70,000
Total Revenue	70,000
Expenditures:	
Direct Salaries	17,069
Direct Expenditures	6,778
Fringe Benefits	10,200
Indirect Costs	8,787
Total Expenditures	42,834
Revenue Over/Under Expenditures	27,166
Grant Funds Received	70,000
Total Expenditures	42,834
Amount in Excess of 100%	\$ 27,166

Note: Effective Fiscal Year 2009, Eastgate adopted the PROVISIONAL RATE METHOD of calculating the Fringe Benefit and Indirect Cost Rates. During the fiscal year Eastgate invoiced using a provisional rate of 59.76% for Fringe Benefits and 51.48% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 59.66% for Fringe Benefits and 57.39% for Indirect Costs.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY**

SCHEDULE OF FINDINGS
2 CFR § 200.515
YEAR ENDED JUNE 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

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

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

NONE

3. FINDINGS FOR FEDERAL AWARDS

NONE

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2020**