



Dave Yost • Auditor of State

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY**

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**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY**

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Dave Yost • Auditor of State

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, Mahoning County, Ohio (the Council), as of and for the period ended June 30, 2017, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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, Mahoning County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the period 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 liabilities and pension 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 basic financial statements.

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

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

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 basic 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 March 27, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

March 27, 2018

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EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

(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, 2017. 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 2017 are as follows:

Overall:

- For business-type activities, net position decreased \$82,799 to \$(88,612) from fiscal year 2016.
- EASTGATE had \$2,019,546 in expenses related to business-type activities and \$332,918 of these expenses were offset by operating revenues and \$1,603,829 by non-operating revenues.
- The business-type activities revenue increased \$214,383 or 5% to \$1,936,747.

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 and liabilities, 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, 2017*

(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 2017?" 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 and liabilities* 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 2017 and 2016 for comparison purposes.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017*

(Unaudited)

Table 1**Business-Type Activities**

	<u>2017</u>	<u>2016</u>
Assets		
Current and Other Assets	\$ 1,176,257	\$ 1,041,013
Net Pension Asset	\$ 13,636	\$ 12,293
Capital Assets	32,080	44,521
Total Assets	<u>\$ 1,221,973</u>	<u>\$ 1,097,827</u>
Deferred Outflows of Resources		
Traditional	544,294	393,524
Combined	12,440	9,294
Total Deferred Outflows of Resources	<u>\$ 556,734</u>	<u>\$ 402,818</u>
Liabilities		
Long-term Liabilities		
Net Pension Liabilities	\$ 1,497,612	\$ 1,172,404
Other Amounts	156,611	133,203
Other Liabilities	179,617	172,240
Total Liabilities	<u>\$ 1,833,840</u>	<u>\$ 1,477,847</u>
Deferred Inflows of Resources		
Traditional	26,503	23,124
Combined	6,976	5,487
Total Deferred Outflows of Resources	<u>\$ 33,479</u>	<u>\$ 28,611</u>
Net Position		
Net Investment in Capital Assets	\$ 32,080	\$ 44,521
Unrestricted Net Position	(120,692)	(50,334)
Total Net Position	<u>\$ (88,612)</u>	<u>\$ (5,813)</u>

Total assets increased 12% in fiscal year 2017. 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, 2017

(Unaudited)

Table 2 shows the change in net position for fiscal years 2017 and 2016 for comparison purposes.

Table 2
Business-Type Activities

	2017	2016
OPERATING REVENUE		
Membership Dues	\$ 217,347	\$ 224,641
Charges for Services	115,571	89,678
Total Assets	<u>332,918</u>	<u>314,319</u>
OPERATING EXPENSES		
Salaries & Benefits	1,404,301	1,154,124
Other Expenses	343,385	284,523
General Administrative & Fiscal Costs	146,008	119,264
Occupancy	113,411	114,949
Depreciation	12,441	11,862
Total Operating Expenses	<u>2,019,546</u>	<u>1,684,722</u>
Operating Income (Loss)	<u>(1,686,628)</u>	<u>(1,370,403)</u>
NON-OPERATING REVENUE		
Intergovernmental	1,594,906	1,405,201
Interest Income	8,923	2,844
Total Non-Operating Revenue	<u>1,603,829</u>	<u>1,408,045</u>
Changes in Net Position	(82,799)	37,642
Net Position Beginning of Year	<u>(5,813)</u>	<u>(43,455)</u>
Net Position End of Year	<u>\$ (88,612)</u>	<u>\$ (5,813)</u>

In fiscal year 2017, revenues increased due to increases in federal, state and local grant revenues and increased for charges for services. Expenditures increased from fiscal year 2016, due mostly to salary and benefits increased.

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 2017, EASTGATE had \$32,080 (net) invested in equipment, furniture and fixtures.

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 2017 and 2016 appear certain.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017*

(Unaudited)

GASB 68 NET PENSION LIABILITY

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems 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, the net pension liability equals EASTGATE's proportionate share of each plan's collective:

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

GASB notes that pension 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 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 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 pension system is responsible for the administration of the plan.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017*

(Unaudited)

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.

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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, EASTGATE's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability 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, 2017

ASSETS

Cash & Cash Equivalents	\$ 840,259
Accounts Receivable	323,128
Prepaid Expenses	11,543
Security Deposits	1,327
Net Pension Asset	13,636
Property and Equipment (net)	<u>32,080</u>
 Total Assets	 <u>1,221,973</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension:	
Traditional	\$ 544,294
Combined	<u>12,440</u>
 Total Deferred Outflows of Resources	 <u>556,734</u>

LIABILITIES

Accounts Payable	\$ 4,080
Payroll Withholding	19,841
Accrued Payroll	36,217
Fringe Benefits	7,585
Payroll Liabilities	2,028
Unearned Revenue	109,866
Long-term Liabilities:	
Net Pension Liability	1,497,612
Due Within One Year	98,976
Due in more than One Year	<u>57,635</u>
 Total Liabilities	 <u>1,833,840</u>

DEFERRED INFLOW OF RESOURCES

Pension:	
Traditional	\$ 26,503
Combined	<u>6,976</u>
 Total Deferred Inflows of Resources	 <u>33,479</u>

NET POSITION

Net Investment in Capital Assets	\$ 32,080
Unrestricted	<u>(120,692)</u>
 Total Net Position	 <u><u>\$ (88,612)</u></u>

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

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING REVENUE	
Membership Due	\$ 217,347
Charges for Services	115,571
	<hr/>
Total Operating Revenue	332,918
	<hr/>
OPERATING EXPENSES	
Salaries	733,809
Other Expenses	252,472
General Administrative and Fiscal Costs	146,008
Computer Updates	36,324
Travel	13,813
Telephone	5,062
Duplicating and Printing	3,513
Machine Rental and Maintenance	1,279
Office Supplies	6,839
Occupancy	113,411
Professional Services	23,907
Postage	176
Depreciation	12,441
Paid Leave	173,186
Hospitalization	165,295
Payroll Taxes	332,011
	<hr/>
Operating Expenses	2,019,546
	<hr/>
Operating Income (Loss)	(1,686,628)
	<hr/>
NON-OPERATING REVENUE	
Intergovernmental	1,594,906
Interest Income	8,923
	<hr/>
Total Non-Operating Revenue	1,603,829
	<hr/>
Change in Net Position	\$ (82,799)
	<hr/> <hr/>
Net Position Beginning of Year	(5,813)
Net Position End of Year	\$ (88,612)
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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, 2017

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Customers	\$ 332,918
Cash Payments to Employees for Services	(897,847)
Cash Payments to Employee Benefits	(321,198)
Cash Payments for Goods and Services	(137,318)
Other Cash Payments	<u>(663,183)</u>

Net Cash Provided by (Used in) Operating Activities (1,686,628)

Cash Flows from Noncapital Financing Activities

Grants Received	<u>1,885,950</u>
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Cash Flows from Investing Activities

Interest on Investments	<u>8,923</u>
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Net Increase (Decrease) in Cash and Cash Equivalents 208,245

Cash and Cash Equivalents Beginning of Year 632,014

Cash and Cash Equivalents End of Year \$ 840,259

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

Operating Income (Loss) \$ (1,686,628)

Adjustments:

Depreciation	12,441
(Increase) Decrease in Assets:	
Accounts Receivable	104,505
Prepaid Expenses	13,695
Deferred Outflows	(153,915)
Pension Asset	(1,343)
Increase (Decrease) in Liabilities:	
Accounts Payable	(5,447)
Accrued Wages and Benefits	4,921
Compensated Absences	23,408
Payroll Withholding	(4,227)
Fringe Benefits	(1,412)
Unearned Revenue	2,385
Deferred Inflows	4,868
Payroll Liabilities	<u>121</u>

Total Adjustments -

Net Cash Provided by (Used in) Operating Activities \$ (1,686,628)

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

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EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017*

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, 2017*

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 \$98,976. The amount accrued for sick leave was \$57,635, using the vesting method. These two numbers are included in the long term liabilities.

Net Position

Net Position represents the difference between assets and liabilities. 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.

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.

Pensions

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

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 \$1,000.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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 \$840,259, and the bank balance was \$895,991. Of the bank balance, \$500,000 was insured by FDIC and \$390,998 was uninsured.

Investments-EASTGATE had no investments at June 30, 2017.

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. 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.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

3. DEFINED BENEFIT PENSION PLAN (continued)

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, 2017*

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 2016 member and employer contribution rates were consistent across all three plans. For 2016 member and employer contribution rates were 10% and 14%, respectively, of covered payroll.

Eastgates required contributions to OPERS for the years ended June 30, 2017, 2016, and 2015 were \$142,624, \$128,384, and \$130,944, 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, 2016, 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>	<u>Combined</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability/(Asset)	\$1,497,612	(\$13,774)	\$1,483,838
Proportion of the Net Pension Liability/(Asset)	0.00659500%	0.02450000%	
Pension Expense	\$221,822	\$9,852	\$231,674

At June 30, 2017, 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, 2017*

3. DEFINED BENEFIT PENSION PLAN (continued)

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

	Traditional	Combined	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$471,078	\$6,773	\$477,851
Change in proportionate share and difference between Eastgate contributions and proportionate share of contributions	\$21,988	(\$100)	\$21,888
Eastgate contributions subsequent to the measurement date	51,228	5,767	56,995
Total Deferred Outflows of Resources	\$544,294	\$12,440	\$556,734
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$26,503	\$6,976	\$33,479

\$56,995 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional	Combined	Total
Fiscal Year Ending June 30:			
2017	(\$192,894)	(\$724)	(\$193,618)
2018	(199,561)	(724)	(200,285)
2019	(85,039)	823	(84,216)
2020	10,932	326	11,258
2021	0	346	346
Thereafter	0	161	161
Total	(\$466,562)	\$208	(\$466,354)

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).

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.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

3. DEFINED BENEFIT PENSION PLAN (continued)

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

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, 2016, are presented below:

Wage Inflation	3.25%
Future Salary Increases, Including Inflation	3.25% - 10.75% (traditional), 4.25%-8.25% (combined)
COLA or Ad hoc COLA	3% through 2018, then 2.15% Simple
Investment Rate of Return	7.5%
Actuarial Cost Method	Individual Entry Age

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 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 2016 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, 2017*

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.25
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.5% 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 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Eastgate's Proportionate Share of the Net Pension Liability (\$ in millions):			
Traditional	\$ 2.29	\$ 1.50	\$ 0.84
Combined	\$ (0.00025)	\$ (0.01372)	\$ (0.02132)

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Other Postemployment Benefits

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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, 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 Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for 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. OPERS's eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2014 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 2017 and 2016, the employer contribution allocated for health care to the traditional and combined plan were 2.0 percent of covered payroll. As recommended by OPERS's actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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. The employer contributions as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 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, 2017, which were used to fund postemployment benefits was \$2,037.

4. ACCUMULATED FRINGE BENEFITS

Accumulated fringe benefits include accrued employee hospitalization of \$3,274 and accrued employee share of OPERS of \$4,311 for a total of \$7,585.

5. LEASE

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

Minimum future rental commitments under a non-cancelable operating lease having a remaining term of 54 months are as follows:

July 1, 2017-December 31, 2017	\$ 52,897
January 1, 2018-December 31, 2018	\$ 107,008
January 1, 2019-December 31, 2019	107,008
January 1, 2020-December 31, 2020	107,008
January 1, 2021-December 31, 2021	107,008
Total Minimum Payments Required	<u>\$ 480,929</u>

6. 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.

7. 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.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
Equipment, Furniture and Fixtures	\$ 319,209	\$ -	\$ -	\$ 319,209
Accumulated Depreciation	(274,688)	(12,441)	-	(287,129)
Net Capital Assets	\$ 44,521	\$ (12,441)	\$ -	\$ 32,080

9. 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.

10. LONG TERM OBLIGATIONS

The change in long-term obligations of EASTGATE during fiscal year 2017 were as follows:

	6/30/2016	Increases	Decreases	Balance 6/30/2017	Amounts Due Within One Year
Compensated Absences	\$ 133,203	\$ 136,104	\$ 112,696	\$ 156,611	\$ 98,976

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

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
EASTGATE'S Proportion of the Net Pension Liability	0.00659500%	0.00677000%	0.00682700%	0.00682700%
EASTGATE'S Proportion Share of the Net Pension Liability	\$1,497,612	\$1,172,404	\$816,538	\$804,814
EASTGATE'S Covered-Employee Payroll	\$1,426,240	\$1,283,840	\$1,309,440	\$1,282,360
EASTGATE'S Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	105.00%	91.32%	62.36%	62.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (2)	77.25%	81.08%	86.45%	N/A

(1) Information prior to 2013 is not available.

(2) Information prior to 2014 is not available

Amounts presented as of the EASTGATE'S measurement date which is December 31, 2016.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
EASTGATE'S Proportion of the Net Pension Asset	0.024500000%	0.024710000%	0.021857000%	0.021857000%
EASTGATE'S Proportion Share of the Net Pension Asset	\$12,440	\$12,293	\$9,514	\$2,293
EASTGATE'S Covered-Employee Payroll	\$12,440	\$12,830	\$12,020	\$9,900
EASTGATE'S Proportion Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	100.00%	95.81%	79.15%	23.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (2)	116.55%	114.83%	114.83%	N/A

(1) Information prior to 2013 is not available.

(2) Information prior to 2014 is not available

Amounts presented as of the EASTGATE'S measurement date which is December 31, 2016.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$128,362	\$117,921	\$119,908	\$117,429	\$119,254
Contributions in Relation to the Contractually Required Contribution	(\$128,362)	(\$117,921)	(\$119,908)	(\$117,429)	(\$119,254)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Eastgate Covered-Employee Payroll	\$1,069,683	\$982,679	\$999,237	\$978,573	\$993,782
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	12.00%	12.00%

(1) Information prior to 2013 is not available.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$14,262	\$10,792	\$11,036	\$10,807	\$10,975
Contributions in Relation to the Contractually Required Contribution	(\$14,262)	(\$10,792)	(\$11,036)	(\$10,807)	(\$10,975)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Eastgate Covered-Employee Payroll	\$101,871	\$77,086	\$78,829	\$77,193	\$78,393
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Information prior to 2013 is not available.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2016 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015 and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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 Planning and Construction Cluster:			
Highway Research	9230	20.205	\$ 766,693
OMEGA Pilot	9230	20.205	27,974
STP	9230	20.205	50,000
Air Quality Program	8617	20.205	139,837
Rideshare Program	9230	20.205	<u>60,000</u>
Total U.S. Department of Transportation (Total Cluster)			<u>1,044,504</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>127,867</u>
			127,867
APPALACHIAN REGIONAL COMMISSION			
Appalachian Regional Development	N/A	23.009	<u>35,000</u>
			35,000
U.S. DEPARTMENT OF COMMERCE			
Planning Program	06-83-05222	11.302	<u>52,628</u>
			52,628
Total			<u><u>\$1,259,999</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, 2017**

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 Council's) under programs of the federal government for the year ended June 30, 2017. 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 Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Council.

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

NOTE C – MATCHING REQUIREMENTS

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

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF FRINGE BENEFITS AND
COMPUTATION OF FRINGE BENEFIT RATES
For the Fiscal Year Ended June 30, 2017**

	<u>Actual Rates</u>	<u>ODOT Approved Provisional Rate</u>
Fringe Benefits		
Sick, Vacation and Holiday Pay	\$ 173,186	\$ 177,437
Hospitalization and Life Insurance	165,295	175,000
OPERS	142,624	145,758
Worker's Compensation, Unemployment & Medicare	14,570	18,117
Total Fringe Benefit Costs (A)	<u>495,675</u>	<u>516,312</u>
Direct and Administrative Salaries		
Direct Salaries	\$ 733,809	\$ 762,085
Indirect Salaries - Administrative	140,976	101,623
Total Direct & Administrative Salaries (B)	<u>874,785</u>	<u>863,708</u>
Fringe Benefits Rate (A/B)	56.66%	59.78%

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 SCHEDULE OF INDIRECT COSTS AND
 COMPUTATION OF INDIRECT COST RATES
 For the Fiscal Year Ended June 30, 2017**

	<u>Actual Rates</u>	<u>ODOT Approved Provisional Rate</u>
INDIRECT COSTS		
Administrative and Fiscal Management	\$ 140,976	\$ 101,623
Fringe Benefits for Indirect Salaries	79,881	60,749
Postage	176	1,500
Travel	13,813	15,000
Telephone	5,062	4,000
Machine Rental and Maintenance	1,279	3,000
Duplication and Printing	3,513	7,000
Office Supplies	6,839	5,000
Depreciation	12,441	13,000
Office Rent, Utilities & Insurance	113,411	118,000
Legal/Audit/Bookkeeping	23,907	22,000
Computer Supplies/Equipment	36,324	13,509
Miscellaneous	0	500
Subscriptions/Bank Service Charges	3,507	200
TOTAL INDIRECT COSTS (A)	<u>441,129</u>	<u>365,081</u>
DIRECT SALARIES (B)	<u>733,809</u>	<u>762,085</u>
INDIRECT COST RATE (A/B)	60.11%	47.91%

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 FHWA/ODOT GRANT - PID 102056
 SCHEDULE OF REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2017

	ACTUAL
Revenue:	
FHWA Grant Funds	\$ 723,567
ODOT Grant Funds	90,446
Local Match	90,446
Total Revenue	904,459
Expenditures:	
Direct Salaries	420,292
Direct Expenditures	36,906
Fringe Benefits	251,251
Indirect Costs	201,362
Total Expenditures	909,811
Revenue Over/Under Expenditures	(5,352)
Grant Funds Received	814,013
90% of Total Expenditures	818,830
Amount in Excess of 90%	\$ (4,817)

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 59.78% for Fringe Benefits and 47.91% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.66% for Fringe Benefits and 60.11% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 FHWA/ODOT GRANT CARRYOVER - PID 99476
 SCHEDULE OF REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2017

	ACTUAL
Revenue:	
FHWA Grant Funds	\$ 43,126
ODOT Grant Funds	5,398
Local Match	5,398
Total Revenue	53,922
Expenditures:	
Direct Salaries	25,553
Direct Expenditures	-
Fringe Benefits	14,584
Indirect Costs	13,847
Total Expenditures	53,984
Revenue Over/Under Expenditures	(62)
Grant Funds Received	48,524
90% of Total Expenditures	48,586
Amount in Excess of 90%	\$ (62)

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 59.78% for Fringe Benefits and 47.91% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.66% for Fringe Benefits and 60.11% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 FHWA/ODOT OMEGA PILOT - PID 99720
 SCHEDULE OF REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2017

	Actual
Revenue:	
FHWA Grant Funds	\$ 27,974
ODOT Grant Funds	6,993
Total Revenue	34,967
Expenditures:	
Direct Salaries	16,361
Direct Expenditures	1,220
Fringe Benefits	9,781
Indirect Costs	7,838
Total Expenditures	35,200
Revenue Over/Under Expenditures	\$ (233)

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 59.78% for Fringe Benefits and 47.91% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.66% for Fringe Benefits and 60.11% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT STP - PID 99901
 SCHEDULE OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2017

	ACTUAL
Revenue:	
Grant Funds	\$ 50,000
Total Revenue	50,000
Expenditures:	
Direct Salaries	23,795
Direct Expenditures	1,235
Fringe Benefits	14,225
Indirect Costs	11,400
Total Expenditures	50,655
Revenue Over/Under Expenditures	(655)
Grant Funds Received	50,000
100% of Total Expenditures	50,655
Amount in Excess of 100%	\$ (655)

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 59.78% for Fringe Benefits and 47.91% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.66% for Fringe Benefits and 60.11% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT CMAQ OZONE - PID 97668 & 97665
 SCHEDULE OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2017

	ACTUAL
Revenue:	
Grant Funds	\$ 139,837
Local Match	-
	-
Total Revenue	139,837
Expenditures:	
Direct Salaries	7,243
Direct Expenditures	125,371
Fringe Benefits	4,330
Indirect Costs	3,470
	3,470
Total Expenditures	140,414
Revenue Over/Under Expenditures	(577)
Grant Funds Received	139,837
100% of Total Expenditures	140,414
Amount in Excess of 100%	\$ (577)

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 59.78% for Fringe Benefits and 47.91% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.66% for Fringe Benefits and 60.11% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT CMAQ-RIDESHARE - PID 97669
 SCHEDULE OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>ACTUAL</u>
Revenue:	
Grant Funds	\$ 60,000
Expenditures:	
Direct Salaries	18,262
Direct Expenditures	22,434
Fringe Benefits	10,917
Indirect Costs	8,750
Total Expenditures	60,363
Revenue Over/Under Expenditures	(363)
Grant Funds Received	60,000
100% of Total Expenditures	60,363
Amount in Excess of 100%	\$ (363)

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 59.78% for Fringe Benefits and 47.91% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.66% for Fringe Benefits and 60.11% 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, 2017

	<u>ACTUAL</u>
Revenue:	
Grant Funds	\$ 52,628
Local Match	<u>52,628</u>
Total Revenue	<u>105,256</u>
Expenditures:	
Direct Salaries	51,577
Direct Expenditures	-
Fringe Benefits	30,833
Indirect Costs	<u>24,710</u>
Total Expenditures	<u>107,120</u>
Revenue Over/Under Expenditures	<u><u>(1,864)</u></u>
Grant Funds Received	52,628
50% of Total Expenditures	<u>53,560</u>
Amount in Excess of 50 %	<u><u>\$ (932)</u></u>

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 59.78% for Fringe Benefits and 47.91% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.66% for Fringe Benefits and 60.11% 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, 2017

	ACTUAL
Revenue:	
Grant Funds	\$ 127,867
Total Revenue	127,867
Expenditures:	
Element #1200.01	
Direct Salaries	24,901
Direct Expenditures	1,381
Fringe Benefits	14,886
Indirect Costs	11,699
Total Expenditures Element #1200.01	52,867
Element #1200.02	
Direct Salaries	32,055
Direct Expenditures	6,158
Fringe Benefits	20,120
Indirect Costs	16,667
Total Expenditures Element #1200.02	75,000
Total Expenditures	127,867
Revenue Over/Under Expenditures	-
Grant Funds Received	127,867
100% of Total Expenditures	127,867
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 59.78% for Fringe Benefits and 47.91% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.66% for Fringe Benefits and 60.11% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 APPALACHIAN REGIONAL DEVELOPMENT-FEDERAL
 SCHEDULE OF REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2017

	ACTUAL
Revenue:	
Grant Funds	\$ 35,000
Total Revenue	35,000
Expenditures:	
Direct Salaries	30,865
Direct Expenditures	-
Fringe Benefits	18,451
Indirect Costs	14,787
Total Expenditures	64,103
Revenue Over/Under Expenditures	(29,103)
Grant Funds Received	35,000
50% of Total Expenditures	32,052
Amount in Excess of 100%	\$ 2,949

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 59.78% for Fringe Benefits and 47.91% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.66% for Fringe Benefits and 60.11% for Indirect Costs.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 APPALACHIAN REGIONAL DEVELOPMENT-STATE
 SCHEDULE OF REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2017

	ACTUAL
Revenue:	
Grant Funds	\$ 70,000
Total Revenue	70,000
Expenditures:	
Direct Salaries	16,651
Direct Expenditures	-
Fringe Benefits	9,954
Indirect Costs	7,977
Total Expenditures	34,582
Revenue Over/Under Expenditures	35,418
Grant Funds Received	70,000
Total Expenditures	34,582
Amount in Excess of 100%	\$ 35,418

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 59.78% for Fringe Benefits and 47.91% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.66% for Fringe Benefits and 60.11% for Indirect Costs.



Dave Yost • Auditor of State

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

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:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Eastgate Regional Council of Governments, Mahoning County, (the Council) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated March 27, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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www.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 27, 2018



Dave Yost • Auditor of State

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

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 Compliance for the Major Federal Program

We have audited the Eastgate Regional Council of Government's (the Council) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Eastgate Regional Council of Government's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Council's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our compliance opinion on the Council's major 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 Eastgate Regional Council of Government's complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The Council's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Council's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 27, 2018

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

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 weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any 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 weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any 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 Cluster – 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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

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 29, 2018**