

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

CAMBRIDGE, OHIO

BASIC FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2005



**Auditor of State
Betty Montgomery**

Board of Directors
Ohio Mid-Eastern Governments Association
326 Highland Avenue
Cambridge, Ohio 43725

We have reviewed the *Independent Auditor's Report* of the Ohio Mid-Eastern Governments Association, Guernsey County, prepared by S.R. Snodgrass, A.C., for the audit period July 1, 2004 through June 30, 2005. 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 Ohio Mid-Eastern Governments Association is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 11, 2006

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**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
JUNE 30, 2005**

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INDEPENDENT AUDITOR'S REPORT

Executive Board
Ohio Mid-Eastern Governments Association
Cambridge, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ohio Mid-Eastern Governments Association (OMEGA), as of and for the year ended June 30, 2005, which collectively comprise OMEGA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OMEGA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Ohio Mid-Eastern Governments Association as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2005, on our consideration of the Ohio Mid-Eastern Governments Association'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 testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise OMEGA's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

S. K. Snodgrass, A.C.

Wheeling, West Virginia
October 11, 2005

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

Management's Discussion and Analysis

For the Year Ended June 30, 2005

The discussion and analysis of the Ohio Mid-Eastern Governments Association's (OMEGA) financial performance provides an overall review of OMEGA's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at OMEGA's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of OMEGA's financial performance.

Financial Highlights

Key financial highlights for the year 2005 are as follows:

- Net assets of governmental activities increased \$64,495.
- Intergovernmental revenues in the form of federal and state grant funds for governmental activities accounted for \$436,067 in revenue, or almost 89 percent of all governmental revenues. Program specific revenues in the form of charges for services and interest on revolving loan fund loans accounted for \$53,908, or 11 percent of total program specific revenues of \$494,473.
- OMEGA had \$539,448 in expenses related to governmental activities; only \$489,975 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$113,968 were adequate to provide for these programs.
- The Revolving Loan Fund granted two new loans during the year with aggregate proceeds of \$200,000.
- The General Fund, one of the major funds, had \$108,070 in revenues. The General Fund's balance increased by \$42,567 after transfers out to other funds. General Fund revenue increased \$10,859, or 11 percent, primarily as the result of an increase in membership fees.

Using this Annual 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 OMEGA as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The statement of net assets and statement of activities provide information about the activities of the whole agency, presenting both an aggregate view of OMEGA's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at OMEGA's most significant funds with all other non-major funds presented, in total, in one column.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2005

Reporting the Agency as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by OMEGA to provide programs and activities for citizens, the view of OMEGA as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The statement of net assets and the statement of activities answer 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 account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report OMEGA's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for OMEGA as a whole, the financial position 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 availability of federal and state grant funding, continued support from member governments, and other factors.

Reporting OMEGA's Most Significant Funds

Fund Financial Statements

The analysis of OMEGA's major funds is included in the fund financial statements. Fund financial reports provide detailed information about OMEGA's major funds. OMEGA uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on OMEGA's most significant funds. OMEGA's major governmental funds are the General Fund, Revolving Loan Fund, Appalachian Regional Commission Fund, Economic Development Administration Fund, and Small Business Development Center. OMEGA has only governmental funds.

Governmental Funds - OMEGA's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of OMEGA's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance OMEGA's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found on pages 14 to 22 of this report.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2005

The Agency as a Whole

Recall that the statement of net assets provides the perspective of OMEGA as a whole. Table 1 provides a summary of OMEGA's net assets as of June 30, 2005, compared to June 30, 2004. OMEGA has only governmental activities.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Current and Other Assets	\$ 696,269	\$ 593,589
Loans Receivable, net	<u>1,098,192</u>	<u>1,170,252</u>
Total Assets	<u>1,794,461</u>	<u>1,763,841</u>
Liabilities		
Current and Other Liabilities	<u>50,776</u>	<u>84,652</u>
Net Assets		
Restricted	1,098,192	1,170,252
Unrestricted	<u>645,493</u>	<u>508,937</u>
Total Net Assets	<u>\$ 1,743,685</u>	<u>\$ 1,679,189</u>

Total assets increased \$30,620. Loans receivable decreased by \$72,060. Borrowers repaid three loans prior to scheduled maturity. Principal repayments during the year totaled \$272,060, while aggregate proceeds from new loans granted were \$200,000. Total liabilities decreased \$33,876.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2005

Table 2 shows the changes in net assets for the year ended June 30, 2005, compared to the year ended June 30, 2004. OMEGA has only governmental activities.

Table 2
Change in Net Assets

	2005	2004
Revenues		
Program Revenues:		
Charges for Services	\$ 53,908	\$ 68,928
Operating Grants	436,067	425,545
General Revenues:		
Membership and Other Fees	104,662	87,987
Interest	7,213	1,165
Miscellaneous	2,093	1,095
Total Revenues	603,943	584,720
 Expenses		
Economic Development	539,448	540,148
 Change in Net Assets	\$ 64,495	\$ 44,572

In fiscal 2005, 72 percent of OMEGA's revenues were from operating grants, as compared to 73 percent in 2004. In fiscal year 2005, 17 percent of revenues came from membership and other fees compared to 15 percent in fiscal 2004.

Program revenues accounted for 81 percent of OMEGA's revenues in fiscal year 2005, down from 85 percent in the prior year. These revenues consist of various federal and state grants and charges for services, including interest on revolving loan fund loans.

Economic Development accounts for 100 percent of total program expenses. Total expenses were \$700 less in fiscal 2005 than in 2004.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2005

The Agency Funds

OMEGA's major funds are accounted for using the accrual basis of accounting. All governmental funds had total revenues of \$603,945 and expenditures of \$539,448. As apparent, OMEGA's revenues exceeded spending during the fiscal year ended June 30, 2005. There were no significant changes in OMEGA's major funds from the previous year, which include the General, Revolving Loan, Appalachian Regional Commission, and Economic Development Administration Funds. In 2005, the Small Business Development Center (SBDC) was considered a major fund. SBDC expenditures exceeded revenue by \$24,253 for the year. This deficit was offset by transfers of \$26,643 from the General Fund.

General Fund and Budgetary Highlights

Although a legal budget is not required, budgets for expenditure of federal grants are prepared and approved by the awarding federal government agency at the time the grants are awarded. During the course of fiscal year 2005, OMEGA supplemented its Economic Development Administration with transfers from the General Fund in the amount of \$20,513. Similarly, General Fund transfers were made to the Appalachian Regional Commission Fund in the amount of \$16,069 and to the SBDC in the amount of \$26,643, as noted above.

The General Fund increased by \$42,567 during fiscal year 2005, as revenues were sufficient to cover expenses and necessary grant fund transfers. The most significant component of General Fund revenues is the fees charged to members. Membership fees increased in fiscal year 2005 due to a board-approved rate increase of 7.1 percent.

Economic Factors

OMEGA is currently operating within its means. However, OMEGA's ability to attract administrative funds for its projects is heavily dependent upon the federal and state governments and the availability of grant funds. OMEGA operates within a designated ten-county area of East Central Ohio. Loans made through the revolving loan fund are to businesses within this area. The ability to repay these loans is largely contingent upon the business economy in the ten-county area.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of OMEGA's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Sue Wood, Fiscal Officer, 326 Highland Avenue, P.O. Box 130, Cambridge, Ohio 43725.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

Statement of Net Assets

June 30, 2005

Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 667,293
Grants Receivable	16,511
Prepaid Expenses	12,465
Loans Receivable, Net	<u>1,098,192</u>
<i>Total Assets</i>	<u>1,794,461</u>
Liabilities	
Accrued Expenses	1,569
Accrued Wages and Benefits	31,913
Deferred Revenue	<u>17,294</u>
<i>Total Liabilities</i>	<u>50,776</u>
Net Assets	
Restricted for:	
Loans	1,098,192
Unrestricted	<u>645,493</u>
<i>Total Net Assets</i>	<u>\$ 1,743,685</u>

See accompanying notes to the basic financial statements.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

Statement of Activities

For the Year Ended June 30, 2005

	Program Revenues			Net Expense and Change in Net Assets Primary Government Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government Governmental Activities: General Government	\$ 539,448	\$ 3,943	\$ 436,068	\$ (99,437)
		General Revenues		
		Membership Fees		104,662
		Interest Income		57,178
		Miscellaneous		2,094
		<i>Total General Revenues</i>		163,934
		Change in Net Assets		64,497
		<i>Net Assets Beginning of Year</i>		1,679,188
		<i>Net Assets End of Year</i>		\$ 1,743,685

See accompanying notes to the basic financial statements.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

*Balance Sheet
Governmental Funds
June 30, 2005*

	General	Revolving Loan Fund	Appalachian Regional Commission	Economic Development Administration	Small Business Development Center	Total Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$ 184,211	\$ 442,088	\$ 40,077	\$ 917	\$ -	\$ 667,293
Grants Receivable	-	-	-	3,198	13,313	16,511
Prepaid Items	12,465	-	-	-	-	12,465
Due From Other Funds	10,305	-	-	-	-	10,305
Loans Receivable, Net	-	1,098,192	-	-	-	1,098,192
<i>Total Assets</i>	<u>\$ 206,981</u>	<u>\$ 1,540,280</u>	<u>\$ 40,077</u>	<u>\$ 4,115</u>	<u>\$ 13,313</u>	<u>\$ 1,804,766</u>
Liabilities						
Accrued Expenses	\$ 1,569	\$ -	\$ -	\$ -	\$ -	\$ 1,569
Due to Other Funds	-	3,000	-	-	7,305	10,305
Accrued Wages and Benefits	-	1,397	22,783	4,115	3,618	31,913
Deferred Revenue	-	-	17,294	-	-	17,294
<i>Total Liabilities</i>	<u>1,569</u>	<u>4,397</u>	<u>40,077</u>	<u>4,115</u>	<u>10,923</u>	<u>61,081</u>
Fund Balances						
Reserved for Loans Receivable	-	1,098,192	-	-	-	1,098,192
Unreserved:						
Undesignated Reported in:						
General Fund	205,412	-	-	-	-	205,412
Special Revenue Funds	-	437,691	-	-	2,390	440,081
<i>Total Fund Balances</i>	<u>205,412</u>	<u>1,535,883</u>	<u>-</u>	<u>-</u>	<u>2,390</u>	<u>1,743,685</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 206,981</u>	<u>\$ 1,540,280</u>	<u>\$ 40,077</u>	<u>\$ 4,115</u>	<u>\$ 13,313</u>	<u>\$ 1,804,766</u>

See accompanying notes to the basic financial statements.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2005

Total Governmental Funds Balances	\$1,743,685
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*Amounts reported for governmental activities in the
statement of net assets are different because*

NONE

Net assets of governmental activities	<u>\$1,743,685</u>
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OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Revolving Loan Fund	Appalachian Regional Commission	Economic Development Administration	Small Business Development Center	Other Governmental Funds	Total Governmental Funds
Revenues							
Intergovernmental	\$ -	\$ -	\$ 330,951	\$ 53,172	\$ 51,945		\$ 436,068
Interest	1,328	55,850	-	-		-	57,178
Membership Fees	104,662	-	-	-		-	104,662
Charges for Services	-	2,703	-	-	1,240		3,943
Other	2,080	14	-	-		-	2,094
<i>Total Revenues</i>	<u>108,070</u>	<u>58,567</u>	<u>330,951</u>	<u>53,172</u>	<u>53,185</u>	<u>-</u>	<u>603,945</u>
Expenditures							
Current:							
Economic Development		39,027	347,020	73,685	77,438	2,278	539,448
<i>Total Expenditures</i>	-	39,027	347,020	73,685	77,438	2,278	539,448
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>108,070</u>	<u>19,540</u>	<u>(16,069)</u>	<u>(20,513)</u>	<u>(24,253)</u>	<u>(2,278)</u>	<u>64,497</u>
Other Financing Sources (Uses)							
Transfers In	-	-	16,069	20,513	26,643	2,278	65,503
Transfers Out	(65,503)			-			(65,503)
<i>Total Other Financing Sources (Uses)</i>	<u>(65,503)</u>	<u>-</u>	<u>16,069</u>	<u>20,513</u>	<u>26,643</u>	<u>2,278</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	42,567	19,540	-	-	2,390	-	64,497
<i>Fund Balances Beginning of Year</i>	<u>162,845</u>	<u>1,516,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,679,188</u>
<i>Fund Balances End of Year</i>	<u>\$205,412</u>	<u>\$ 1,535,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,390</u>	<u>\$ -</u>	<u>\$ 1,743,685</u>

See accompanying notes to the basic financial statements.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds \$64,497

*Amounts reported for governmental activities in the
statement of activities are different because*

NONE

Change in Net Assets of Governmental Activities \$64,497

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Ohio Mid-Eastern Governments Association ("OMEGA") is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application of Appalachian Regional Commission and Economic Development Administration grant monies.

OMEGA is a jointly governed entity administered by a sixteen member Executive Board ("Board") which acts as the authoritative body of the entity. The Board is comprised of members appointed from each participating county and the cities within each county. City membership is voluntary. The Board has total control over budgeting, personnel, and financial matters.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," and the financial statements include all organizations, activities, and functions that comprise OMEGA. Component units are legally separate entities for which OMEGA (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) OMEGA's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, OMEGA. Using these criteria, OMEGA has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when OMEGA receives cash.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

OMEGA uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. OMEGA only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

OMEGA reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of OMEGA except those required to be accounted for in another fund. The General Fund balance is available to OMEGA for any purpose provided it is expended or transferred according to the general laws of Ohio and the bylaws of OMEGA.

Revolving Loan Fund – The Revolving Loan Fund offers low-interest loans to businesses within OMEGA's ten-county region. Such funds are to be used in the event that full financing cannot be obtained from a bank, or to fill the gap between bank financing and the financing necessary to complete a business project. Bank participation is required. Initial funding for the Revolving Loan Fund came from grants from the Appalachian Regional Commission and the Economic Development Administration.

Appalachian Regional Commission – The Appalachian Regional Commission Fund is used to account for operating grant funds received from the Appalachian Regional Commission.

Economic Development Administration – The Economic Development Administration Fund is used to account for operating grant funds received from the Economic Development Administration.

Small Business Development Center – The OMEGA Small Business Development Center strives to offer free assistance to anyone in Muskingum, Guernsey, and Belmont Counties with the desire to start or expand a small business.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and becomes available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For OMEGA, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which OMEGA receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which OMEGA must provide local resources to be used for a specific purpose, and expenditure requirements in which the resources are provided to OMEGA on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

D. Interfund Transactions

During the course of normal operations, OMEGA has transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Operating Transfers In” by the recipient fund, and “Operating Transfers Out” by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as “interfund loan receivables/payables.” These amounts are eliminated on the statement of net assets.

E. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. OMEGA maintains a capitalization threshold of \$5,000. OMEGA does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. OMEGA’s capital assets consist primarily of office furniture and equipment, the cost of which is \$41,456 as of June 30, 2005. All capital assets were fully depreciated as of June 30, 2004. Therefore, no depreciation expense was recorded for the fiscal year ended June 30, 2005. There were no additions or deletions to capital assets during the year.

F. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Reservation of Fund Balance

OMEGA records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity which is available for appropriations in future periods. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

H. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws, or regulations of other governments.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

J. Deferred Revenues

OMEGA reports unearned deferred revenue in the governmental fund balance sheet. Deferred and unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within 60 days after year-end are considered to have been for prior year services.

K. Budgetary Process

Although a legal budget is not required, nor is a budgetary statement, budgets for expenditure of federal grants are submitted to and approved by the federal government agency at the time the grants are awarded. The grants also require a contribution from nonfederal sources equal to a specified percentage of the project costs. The nonfederal contributions may be in cash or in-kind. In-kind funds for the year ended June 30, 2005, amounted to \$71,998.

L. Cost Allocation

Office of Management and Budget Circular A-87 provides for the establishment of cost pools which are to be distributed over the benefiting activity in some rational and equitable manner. The concept of indirect costs is introduced and defined as follows in Circular A-87: "Indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited without effort disproportionate to the results achieved."

OMB Circular A-87 also provides the following basis options for the allocation of indirect costs accumulated in an indirect cost pool: (1) direct salary costs or (2) total direct costs, excluding items like large consulting contracts and capital expenditures.

OMEGA chose the direct salary cost method because management has determined that this is the most equitable allocation method. Management and administrative salaries and indirect costs are allocated to the various programs using the actual rate as determined by the method shown in OMEGA's cost allocation plan.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

OMEGA reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." Vacation and compensatory time 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 OMEGA will compensate the employees for the benefits through paid time off or some other means. Since unused sick leave is not payable upon termination, no accrual is made for sick leave.

The entire compensated absence liability is reported on the government-wide financial statements and in the governmental funds.

NOTE 2. DONATED SPACE AND SERVICES

The Board members of OMEGA have donated their time and travel expenses related to Board meetings. The total value of the wages and travel donated is \$5,505. OMEGA also received donated office space and office equipment from various sources. The value of the space and equipment is \$66,493.

NOTE 3. DEPOSITS AND INVESTMENTS

At June 30, 2005, the carrying amount of OMEGA's deposits was \$667,113, and the bank balance was \$701,816.

OMEGA's deposits are categorized to give an indication of the level of risk assumed by the District at June 30, 2005. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agency in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name.

Category 3 - Uncollateralized.

Category 1		\$ 200,000
Category 2		501,816
Category 3		<u>-</u>
Total		<u>\$ 701,816</u>

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005

NOTE 4. CONCENTRATIONS

All of OMEGA's loans and commitments have been granted to customers in a ten-county area of Mid-Eastern Ohio. OMEGA's loans are generally secured by specific items of collateral, including real property, vehicles, and business assets. Repayment of these loans is dependent, in part, upon the economic conditions of this region. Management monitors the collectibility of the revolving loan portfolio on an ongoing basis. As of June 30, 2005, management determined that all of the loan balances listed above were fully collectible.

The majority of OMEGA's funding is through federal and state grants. Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as inappropriate expenditures. Such audits could lead to reimbursement to the grantor agency. Management of OMEGA believes disallowances, if any, will be immaterial.

NOTE 5. DEFINED BENEFIT PENSION PLAN – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

OMEGA participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional 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 writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. OMEGA's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

OMEGA's required contribution for pension obligations to the traditional and combined plans for the years ended June 30, 2005, 2004, and 2003, were \$30,526, \$29,073, and \$28,912, respectively. The full amount has been contributed for 2003 and 2004, while 92 percent has been contributed for 2005. For fiscal year 2005, \$2,534 represents the unpaid contribution and is recorded as a liability within the respective funds.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005

NOTE 6. POST-EMPLOYMENT BENEFITS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or the combined plans. Health care coverage for disability recipients and primary survivor recipients is available.

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care based on authority granted by State Statute. The employer contribution rate used to fund health care benefits was 4.0 percent for the fiscal year ended June 30, 2005.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants in the traditional and combined plans was 369,885. OMEGA's actual contributions for the fiscal year ended June 30, 2005, which were used to fund post-employment benefits, were \$12,786. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCCP) with an effective date of January 1, 2007. The HCCP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 7. OTHER EMPLOYEE BENEFITS

Full-time employees earn vacation on the number of years of service with OMEGA. Vacation pay is accumulated and vested. In the event that any employee terminates his/her employment, he/she may be compensated for accumulated vacation pay.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005

NOTE 8. RISK MANAGEMENT

OMEGA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. OMEGA maintains comprehensive insurance coverage with private carriers for general liability, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully co-insured.

<u>Type</u>	<u>Amount</u>	<u>Company</u>
Professional Liability	\$1,000,000	Stratford Insurance Co.
General Liability	300,000	Westfield Companies
Office Contents	45,000	Westfield Companies

Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

NOTE 9. CONTINGENCIES

OMEGA received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of OMEGA at June 30, 2005.

NOTE 10. LEASES

OMEGA leases office equipment under various operating leases with terms exceeding one year. The association's administrative offices are leased under a year-to-year agreement. The amount expensed under these operating leases during the year ended June 30, 2005, was \$22,582. Minimum future payments required under leases with a minimum term exceeding one year are approximately \$7,000 for the year ending June 30, 2006; \$6,000 each for the years ending June 30, 2007 and 2008; \$5,000 for the year ending June 30, 2009; and \$1,200 for the year ending June 30, 2010.

NOTE 11. OPERATING TRANSFERS

The following is a summary of operating transfers in and out for all funds for the year ended June 30, 2005:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 65,503
Appalachian Regional Commission	16,069	-
Economic Development Administration	20,513	-
Small Business Development Center	26,643	-
Nonmajor Funds	<u>2,278</u>	<u>-</u>
Totals	<u>\$ 65,503</u>	<u>\$ 65,503</u>

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005**

NOTE 12. RESTATEMENT OF FUND BALANCES

During 2005, the following misclassification of fund balances and error corrections were discovered. Restatements were made to the beginning of year fund balances as follows:

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Other Governmental Funds</u>
As previously stated	\$ 113,756	\$ 1,512,680	\$ 71,183
Reclassifications	67,520	3,663	(71,183)
Accrued leave not recorded in funds	<u>(18,431)</u>	<u>-</u>	<u>-</u>
As restated	<u>\$ 162,845</u>	<u>\$ 1,516,343</u>	<u>\$ -</u>

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/GRANTOR/PASS THROUGH AGENCY Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDI- TURES
DEPARTMENT OF COMMERCE			
Direct:			
Economic Development-Support for Planning Organizations	11.302	n/a	\$ 22,659
Economic Development-Support for Planning Organizations	11.302	n/a	<u>30,512</u>
Total Economic Development Administration			<u>53,171</u>
APPALACHIAN REGIONAL COMMISSION			
Direct from Appalachian Regional Commission			
Appalachian Research, Technical Assistance, and Demonstration Projects:			
Technical Assistance 302 (A)	23.011	n/a	96,755
Technical Assistance 302 (A)	23.011	n/a	114,955
Revolving Loan Program	23.011	n/a	<u>200,000</u>
Total Appalachian Regional Commission			<u>411,710</u>
SMALL BUSINESS ADMINISTRATION			
Passed through Kent State University			
Small Business Development Center	59.037	447070	11,986
Small Business Development Center	59.037	447076	<u>32,087</u>
Total Small Business Administration			<u>44,073</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 508,954</u>

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) summarizes activity of OMEGA's federal award programs. The Schedule has been prepared on the modified accrual basis of accounting.

NOTE B - REVOLVING LOAN FUND

OMEGA has established a Revolving Loan Program to provide low-interest loans to businesses to create jobs in the region. The Appalachian Regional Commission (ARC) and the Economic Development Administration (EDA) have granted money for these loans to OMEGA. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Subsequent ARC loans are subject to certain compliance requirements imposed by the grantors, and are included as expenditures on the Schedule.

Collateral for these loans is determined on a case by case basis, but includes mortgages on real estate and liens on business equipment and inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that OMEGA contribute non-federal funds (matching funds) to support the federally funded programs. OMEGA has complied with the matching requirements.



**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**

Executive Board
Ohio Mid-Eastern Governments Association
Cambridge, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ohio Mid-Eastern Governments Association as of and for the year ended June 30, 2005, and have issued our report thereon dated October 11, 2005. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ohio Mid-Eastern Governments Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ohio Mid-Eastern Governments Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Executive Board, management, others within the organization, and the federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

S. H. Swygman, A.C.

Wheeling, West Virginia
October 11, 2005



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Executive Board
Ohio Mid-Eastern Governments Association
Cambridge, Ohio

Compliance

We have audited the compliance of Ohio Mid-Eastern Governments Association ("OMEGA") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. OMEGA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of OMEGA's management. Our responsibility is to express an opinion on OMEGA's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 OMEGA'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. Our audit does not provide a legal determination on OMEGA's compliance with those requirements.

In our opinion, OMEGA complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of OMEGA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered OMEGA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Executive Board, management, others within the organization, and the federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

S. N. Snodgrass, A.C.

Wheeling, West Virginia
October 11, 2005

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion has been issued on the general purpose financial statements of Ohio Mid-Eastern Governments Association as of and for the fiscal year ended June 30, 2005, dated October 11, 2005.

An unqualified opinion has been issued on the compliance for major programs of Ohio Mid-Eastern Governments Association as of and for the fiscal year ended June 30, 2005, dated October 11, 2005.

The audit did not disclose any material noncompliance required to be reported under OMB Circular A-133 with regard to major programs.

The audit did not disclose any matters involving the internal control over the financial statements or major programs that would be considered to be reportable conditions or material weaknesses.

The audit disclosed no questioned costs or likely questioned costs exceeding \$10,000 for type of compliance requirement for a major program.

The following is a list of major programs for the fiscal year ended June 30, 2005:

Appalachian Regional Commission

CFDA #23.011 Appalachian Technical Assistance and Demonstration Projects

The dollar threshold used to distinguish between Type A and B programs is \$300,000.

Ohio Mid-Eastern Governments Association qualified as a low-risk auditee for the year ended June 30, 2005.

FINDINGS AND QUESTIONED COSTS

Financial Statement Findings in Accordance with GAGAS

We noted no findings related to the financial statements which are required to be reported in accordance with GAGAS.

Findings and Questioned Costs for Federal Awards

We noted no findings or questioned costs or likely questioned costs for federal awards for the fiscal year ended June 30, 2005.



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OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

GUERNSEY 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
FEBRUARY 9, 2006**