

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

CAMBRIDGE, OHIO

BASIC FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Ohio Mid-Eastern Governments Association
P.O. Box 130
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, 2003 through June 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 11, 2005

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**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
JUNE 30, 2004**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
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, 2004, 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, 2004, and the respective changes in financial position, and the respective budgetary comparison for the Appalachian Regional Commission and Economic Development Administration funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12, during the year ended June 30, 2004, OMEGA implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2004, 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 grants. This 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 considering 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. N. Snodgrass, Q.C.

Wheeling, West Virginia
September 24, 2004

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

Management's Discussion and Analysis

For the Year Ended June 30, 2004

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, 2004. 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 2004 are as follows:

- Net assets of governmental activities increased \$44,572.
- Intergovernmental revenues in the form of federal and state grant funds for governmental activities accounted for \$425,545 in revenue, or almost 73 percent of all governmental revenues. Program specific revenues in the form of charges for services and interest on revolving loan fund loans accounted for \$68,928, or 14 percent of total program specific revenues of \$494,473.
- OMEGA had \$540,148 in expenses related to governmental activities; only \$494,473 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$90,247 were adequate to provide for these programs.
- The revolving loan fund granted five new loans during the year with aggregate proceeds of \$375,950.
- The general fund, one of the major funds, had \$90,211 in revenues and \$7,583 in expenditures. The general fund's balance increased by \$28,581. General fund revenue was approximately the same as it was in fiscal year 2003.

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, 2004

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 2004?" 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, and Economic Development Administration fund. 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 16 to 23 of this report.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2004

The Agency as a Whole

Recall that the Statement of Net Assets provides the perspective of the Agency as a whole. Table 1 provides a summary of the OMEGA's net assets as of June 30, 2004, compared to June 30, 2003. OMEGA has only governmental activities.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$ 593,589	\$ 714,689
Loans Receivable, net	1,170,252	1,000,479
Total Assets	1,763,841	1,715,168
Liabilities		
Current and Other Liabilities	84,652	80,551
Net Assets		
Restricted	1,170,252	1,000,479
Unrestricted	508,937	634,138
Total Net Assets	\$ 1,679,189	\$ 1,634,617

Total assets increased \$44,572. Loans receivable increased by \$169,773 as the result of new loan disbursements in the amount of \$375,950, net of principal payments made by borrowers in the amount of \$206,177. Total liabilities increased \$4,101.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2004

Table 2 shows the changes in net assets for the year ended June 30, 2004. Since this is the first year in which OMEGA has prepared financial statements following GASB Statement 34, revenue and expense comparisons to the year ended 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets

	<u>Governmental Activities</u>
Revenues	
Program Revenues:	
Charges for Services	\$ 68,928
Operating Grants	425,545
General Revenues:	
Membership and Other Fees	87,987
Interest	1,165
Miscellaneous	<u>1,095</u>
Total Revenues	<u>584,720</u>
Expenses	
Economic Development	<u>540,148</u>
Change in Net Assets	<u>\$ 44,572</u>

In fiscal 2004, 73 percent of OMEGA's revenues were from operating grants, and 15 percent were from membership and other fees.

Program revenues accounted for 85 percent of OMEGA's revenues in fiscal year 2004. 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.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2004

The Agency Funds

OMEGA's major funds are accounted for using the accrual basis of accounting. All governmental funds had total revenues of \$585,090 and expenditures of \$522,088. As apparent, OMEGA's revenues exceeded spending during the fiscal year ended June 30, 2004. There were no significant changes in the Agency's major funds from the previous year, which include the general, revolving loan, Appalachian Regional Commission, and Economic Development Administration funds.

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 2004, OMEGA supplemented its Economic Development Administration with transfers from the general fund in the amount of \$19,853. Similarly, general fund transfers were made to the Appalachian Regional Commission fund in the amount of \$3,311 and the beginning of the year fund balance of \$14,843 was expended.

The general fund increased by \$28,581 during fiscal year 2004 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 2004 due to a board approved rate increase of 7.7 percent.

Economic Factors

OMEGA is currently operating within its means. However, the Agency'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, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 534,020
Grants Receivable	54,183
Prepaid Expenses and Other Receivables	5,386
Loans Receivable, Net	<u>1,170,252</u>
<i>Total Assets</i>	<u>1,763,841</u>
Liabilities	
Accounts Payable	1,998
Other Accrued Expenses	7,024
Accrued Wages and Benefits	23,375
Deferred Revenue	<u>52,255</u>
<i>Total Liabilities</i>	<u>84,652</u>
Net Assets	
Restricted for:	
Loans	1,170,252
Unrestricted	<u>508,937</u>
<i>Total Net Assets</i>	<u>\$ 1,679,189</u>

See accompanying notes to the basic financial statements

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

Statement of Activities

For the Year Ended June 30, 2004

	Expenses	Program Revenues		Net Expense and Change in Net Assets Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary Government Governmental Activities: General Government	\$ 540,148	\$ 68,928	\$ 425,545	\$ (45,675)
		General Revenues		
				\$ 87,987
				1,165
				1,095
			<i>Total General Revenues</i>	90,247
				44,572
			<i>Net Assets Beginning of Year</i>	1,634,617
			<i>Net Assets End of Year</i>	\$ 1,679,189

See accompanying notes to the basic financial statements

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

*Balance Sheet
Governmental Funds
June 30, 2004*

	General	Revolving Loan Fund	Appalachian Regional Commission	Economic Development Administration	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$ 112,938	\$ 342,428	\$ 13,502	\$ -	\$ 65,152	\$ 534,020
Grants Receivable	-	-	38,753	4,655	10,775	54,183
Prepaid Items	5,386	-	-	-	-	5,386
Loans Receivable, Net	-	1,170,252	-	-	-	1,170,252
<i>Total Assets</i>	<u>\$ 118,324</u>	<u>\$ 1,512,680</u>	<u>\$ 52,255</u>	<u>\$ 4,655</u>	<u>\$ 75,927</u>	<u>\$ 1,763,841</u>
Liabilities						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 1,998	\$ 1,998
Other Accrued Expenses	-	-	-	4,655	2,369	7,024
Accrued Wages and Benefits	4,938	-	-	-	-	4,938
Deferred Revenue	-	-	52,255	-	-	52,255
<i>Total Liabilities</i>	<u>4,938</u>	<u>-</u>	<u>52,255</u>	<u>4,655</u>	<u>4,367</u>	<u>66,215</u>
Fund Balances						
Reserved for Loans Receivable	-	1,170,252	-	-	-	1,170,252
Unreserved:						
Undesignated Reported in:						
General Fund	113,386	-	-	-	-	113,386
Special Revenue Funds	-	342,428	-	-	71,560	413,988
<i>Total Fund Balances</i>	<u>113,386</u>	<u>1,512,680</u>	<u>-</u>	<u>-</u>	<u>71,560</u>	<u>1,697,626</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 118,324</u>	<u>\$ 1,512,680</u>	<u>\$ 52,255</u>	<u>\$ 4,655</u>	<u>\$ 75,927</u>	<u>\$ 1,763,841</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, 2004

Total Governmental Funds Balances	\$1,697,626
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	<u>(18,437)</u>
Net assets of governmental activities	<u><u>\$1,679,189</u></u>

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General	Revolving Loan Fund	Appalachian Regional Commission	Economic Development Administration	Other Governmental Funds	Total Governmental Funds
Revenues						
Intergovernmental	\$ -	\$ -	\$ 317,902	\$ 57,147	\$ 50,496	\$ 425,545
Interest	1,165	51,075	-	-	-	52,240
Membership Fees	87,987	-	-	-	-	87,987
Registration Fees	6,964	-	-	-	-	6,964
Charges for Services	-	6,123	-	-	140	6,263
Other	1,095	4,996	-	-	-	6,091
<i>Total Revenues</i>	<u>97,211</u>	<u>62,194</u>	<u>317,902</u>	<u>57,147</u>	<u>50,636</u>	<u>585,090</u>
Expenditures						
Current:						
Economic Development	7,583	7,847	336,056	77,000	93,602	522,088
<i>Total Expenditures</i>	7,583	7,847	336,056	77,000	93,602	522,088
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>89,628</u>	<u>54,347</u>	<u>(18,154)</u>	<u>(19,853)</u>	<u>(42,966)</u>	<u>63,002</u>
Other Financing Sources (Uses)						
Transfers In	-	-	3,311	19,853	65,298	88,462
Transfers Out	(61,047)	(27,415)	-	-	-	(88,462)
<i>Total Other Financing Sources (Uses)</i>	<u>(61,047)</u>	<u>(27,415)</u>	<u>3,311</u>	<u>19,853</u>	<u>65,298</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	28,581	26,932	(14,843)	-	22,332	63,002
<i>Fund Balances Beginning of Year</i>	<u>85,175</u>	<u>1,485,748</u>	<u>14,843</u>	<u>-</u>	<u>48,851</u>	<u>1,634,617</u>
<i>Fund Balances End of Year</i>	<u>\$113,756</u>	<u>\$ 1,512,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,183</u>	<u>\$ 1,697,619</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, 2004*

Net Change in Fund Balances - Total Governmental Funds \$63,002

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

Some expenses reported in the statement of activities,
such as compensated absences, do not require the use
of current financial resources and therefore are not
reported as expenditures in governmental funds.

Compensated Absences (18,430)

Change in Net Assets of Governmental Activities \$44,572

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

Statement of Revenues, Expenditures and Changes

In Fund Balance - Budget and Actual

Appalachian Regional Commission Fund

For the Year Ended June 30, 2004

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 326,384	\$ 326,384	\$ 317,902	\$ (8,482)
Expenditures:				
Current:				
General government:				
Economic development	326,384	326,384	336,056	(9,672)
Excess of revenues over (under) expenditures	-	-	(18,154)	(18,154)
Other financing sources (uses):				
Transfers in	-	-	3,311	3,311
Transfers out	-	-	-	-
Advances in	-	-	-	-
Advances out	-	-	-	-
Total other financing sources (uses)	-	-	3,311	3,311
Excess of revenues and other sources over (under) expenditures and other (uses)	-	-	(14,843)	(14,843)
Fund balance, beginning of year	-	14,843	14,843	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 14,843</u>	<u>\$ -</u>	<u>\$ (14,843)</u>

See accompanying notes to the basic financial statements

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

Statement of Revenues, Expenditures and Changes

In Fund Balance - Budget and Actual

Economic Development Administration Fund

For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental	\$ 54,814	\$ 54,814	\$ 57,147	\$ 2,333
Expenditures:				
Current:				
General government:				
Economic development	<u>60,733</u>	<u>60,733</u>	<u>77,000</u>	<u>(16,267)</u>
Excess of revenues over (under) expenditures	<u>(5,919)</u>	<u>(5,919)</u>	<u>(19,853)</u>	<u>(13,934)</u>
Other financing sources (uses):				
Transfers in	5,919	5,919	19,853	13,934
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>5,919</u>	<u>5,919</u>	<u>19,853</u>	<u>13,934</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 with OMEGA's ten county region. Such funds are to be used in the event that full financing cannot be obtain 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.

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, 2004**

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. The cost of basis of OMEGA's capital assets as of June 30, 2004, is \$41,456. Accumulated depreciation is also \$41,456. All capital assets were fully depreciated as of June 30, 2003, therefore, no depreciation expense was recorded for the fiscal year ended June 30, 2004. 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, 2004

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, 2004, amounted to \$60,491.

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."

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$4,478. OMEGA also received donated office space and office equipment from various sources. The value of the space and equipment is \$56,013.

NOTE 3. DEPOSITS AND INVESTMENTS

At June 30, 2004, the carrying amount of OMEGA's deposits was \$533,840 and the bank balance was \$555,435.

OMEGA's deposits are categorized to give an indication of the level of risk assumed by the District at June 30, 2004. 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		355,435
Category 3		<u> -</u>
Total		<u><u>\$ 555,435</u></u>

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

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, 2004, 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 PLANS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

All employees participate in the Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4562.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and OMEGA was required to contribute 9.35 percent for the fiscal year ended June 30, 2003. Contributions are authorized by state statute. OMEGA's contribution for pension obligations to PERS for the year ended June 30, 2004, 2003, and 2002, were \$ 29,073, \$28,912, and \$27,829, respectively. A total of 91.5 percent of the accrued obligations has been paid for the fiscal year 2004, while the full amount has been contributed for 2003 and 2002. The unpaid contribution of \$3,585 for fiscal year 2004 is recorded as a liability within the respective funds.

NOTE 6. POST-EMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. 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 Government Accounting Standards Board Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State Statute. The employer contribution rate used to fund health care benefits was 4.2 percent for the fiscal year ended June 30, 2004.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.0 percent annually.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004**

**NOTE 6. POST-EMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM
(CONTINUED)**

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.

There were approximately 364,881 active contributing participants. OMEGA's actual contributions for the fiscal year ended June 30, 2004, which were used to fund post employment benefits, were \$13,060. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

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. Only the current portion of the unpaid vacation pay is accrued. The current portion is the dollar value of the vacation accrued as of June 30, 2004, and used within the available period. The long-term portion is reported in the General Long-Term Debt Account Group. As of June 30, 2004, the dollar value of the current portion of the liability for unpaid compensated absences was \$4,938 and the dollar value of the long-term portion was \$18,437.

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, 2004.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004**

NOTE 10. LONG-TERM OBLIGATIONS

Changes in OMEGA's general long-term obligations during fiscal year 2004 consist of the following:

	Outstanding June 30, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding June 30, <u>2004</u>
Compensated absences	\$ <u>13,769</u>	\$ <u>20,822</u>	\$ <u>16,154</u>	\$ <u>18,437</u>

NOTE 11. OPERATING TRANSFERS

The Following is a summary of operating transfers in and out for all funds for 2004:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 61,047
Appalachian Regional Commission	3,311	-
Economic Development Administration	19,853	-
Revolving Loan Fund	-	27,415
Nonmajor Funds	<u>65,298</u>	<u>-</u>
Totals	<u>\$ 88,462</u>	<u>\$ 88,462</u>

NOTE 12. CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2004, OMEGA has implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB No. 37, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2004, there was no effect on fund balances as a result of implementing these standards.

GASB Statement No. 34 creates new basic financial statements for reporting OMEGA's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

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	\$ 31,969
Economic Development-Support for Planning Organizations	11.302	n/a	<u>25,178</u>
Total Economic Development Administration			<u>57,147</u>
DEPARTMENT OF AGRICULTURE			
Direct:			
Rural Business Enterprise Grant	10.769	n/a	<u>99,000</u>
APPALACHIAN REGIONAL COMMISSION			
Direct from Appalachian Regional Commission			
Appalachian State Research, Technical Assistance, and Demonstration Projects:			
Technical Assistance 302 (A)	23.011	n/a	81,245
Technical Assistance 302 (A)	23.011	n/a	87,606
Revolving Loan Program	23.011	n/a	<u>200,000</u>
Total Appalachian Regional Commission			<u>368,851</u>
SMALL BUSINESS ADMINISTRATION			
Passed through Kent State University			
Small Business Development Center	59.037	ECDD 01-100	<u>33,369</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 558,367</u>

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the Association's federal award programs. The schedule has been prepared on the modified accrual basis of accounting.

NOTE B - REVOLVING LOAN FUND

The Association 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 the Association. 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. The gross amount of loans outstanding under these programs at June 30, 2004, is listed in Notes 8 and 9 to the general purpose financial statements.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the Association contribute non-Federal funds (matching funds) to support the Federally funded programs. The Association has complied with the matching requirements.



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

Board of Directors
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 the Ohio Mid-Eastern Governments Association as of and for the year ended June 30, 2004, and have issued our report thereon dated September 24, 2004. 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.

Compliance

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*.

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.

However, we noted certain matters involving the internal control over financial reporting that we have reported to management of Ohio Mid-Eastern Governments Association in a separate letter dated September 24, 2004.

This report is intended solely for the information of the Board of Directors, 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. Snyder, A.C.

Wheeling, West Virginia
September 24, 2004



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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**

Board of Directors
Ohio Mid-Eastern Governments Association
Cambridge, Ohio

Compliance

We have audited the compliance of Ohio Mid-Eastern Governments Association 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, 2004. Ohio Mid-Eastern Governments Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ohio Mid-Eastern Governments Association's management. Our responsibility is to express an opinion on Ohio Mid-Eastern Governments Association'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 Ohio Mid-Eastern Governments Association'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 Ohio Mid-Eastern Governments Association's compliance with those requirements.

In our opinion, Ohio Mid-Eastern Governments Association 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, 2004.

Internal Control Over Compliance

The management of Ohio Mid-Eastern Governments Association is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ohio Mid-Eastern Governments Association'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 Board of Directors, 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. Bradman, A.C.

Wheeling, West Virginia
September 24, 2004

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004**

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, 2004, dated September 24, 2004.

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, 2004, dated September 24, 2004.

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, 2004:

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, 2004.

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, 2004.



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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 10, 2005**