

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

AUDIT REPORT

For the year ended June 30, 2006

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Directors
Eastgate Regional Council of Governments
City Center One Building
100 E Federal Street, Suite 1000
Youngstown, Ohio 44503

We have reviewed the *Report of Independent Accountants* of the Eastgate Regional Council of Governments, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 10, 2007

This Page is Intentionally Left Blank.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

AUDIT REPORT

For the Year Ended June 30, 2006

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1-2
Managements' Discussion and Analysis	3-7
Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-15
Schedule of Federal Awards Expenditures	16
Notes to the Schedule of Federal Awards Expenditures	17
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	19-20
Schedule of Fringe Benefits and Computation of Fringe Benefit Rates	21
Schedule of Indirect Costs and Computation of Indirect Cost Rates	22
Statements of Revenue and Expenses	
FHWA/ODOT Grant	23
FHWA/ODOT – Carryover	24
ODOT – STP	25
ODOT – STP - Aerial	26
ODOT - STP – TRC Softmatch	27
ODOT – STP – Aerial - Carryover	28
ODOT - CMAQ Ozone Action Program	29
ODOT – CMAQ - Rideshare	30
FTA Section 5307 - WRTA	31
U.S. Department of Commerce (EDA)	32
EPA – Water Quality Planning – 604(B)	33
U.S. Department of Defense – Procurement Technical Assistance for Business Firms	34
Schedule of Findings and Questioned Costs	35-36
Status of Prior Audit's Citations and Recommendations	37

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Eastgate Regional Council of Governments (Council), Mahoning County, Youngstown, Ohio as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eastgate Regional Council of Governments, Youngstown, Ohio, as of June 30, 2006, and the results of its operations and cash flows of its proprietary fund type 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 a report dated March 23, 2007, on our consideration of the Eastgate Regional Council of Governments internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 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 consisted principally on 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.

Our audit was made for the purpose of forming an opinion on the financial statements of the Eastgate Regional Council of Governments taken as a whole. The accompanying schedule of federal awards expenditures 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 financial statements. The supplemental data on pages 21 through 34 (as listed in the Table of Contents) is presented for additional analysis and are not a required part of the financial statements of the Eastgate Regional Council of Governments. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
March 23, 2007

Eastgate Regional Council of Governments
Mahoning County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The discussion and analysis of Eastgate Regional Council of Governments (EASTGATE) financial performance provides an overall review of EASTGATE's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at EASTGATE's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements, themselves to enhance their understanding of EASTGATE's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

Overall:

- For business-type activities, net assets increased \$29,799 or 9.9% to \$329,869 from 2005.
- EASTGATE had \$1,474,784 in expenses related to business-type activities and 100% of these expenses were offset by program revenues.
- The business-type activities increased revenues \$173,316 or 11.5% to \$1,504,583.

Using this Financial Report

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

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

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

Eastgate Regional Council of Governments
Mahoning County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Reporting EASTGATE as a Whole

Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

While this document contains the fund used by EASTGATE to provide its program, the view of EASTGATE as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Asset answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets, EASTGATE is presented as one activity, business-type.

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

Reporting EASTGATE's Fund

Fund Financial Statements

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

Eastgate as a Whole

Business-type activities

Table 1 shows net assets for fiscal years 2006 and 2005 for comparison purposes.

Eastgate Regional Council of Governments
Mahoning County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Table 1
6/30/2006

	Business-Type Activities	
	2006	2005
Assets		
Current and Other Assets	\$ 668,289	\$ 596,248
Capital Assets	33,921	39,787
Total Assets	\$ 702,210	\$ 636,035
Liabilities		
Long-term Liabilities	\$ 44,752	\$ 232
Other Liabilities	327,588	335,733
Total Liabilities	\$ 372,340	\$ 335,965
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 33,921	\$ 39,787
Unrestricted Net Assets	295,948	260,283
Total Net Assets	\$ 329,869	\$ 300,070

Total assets increased 9% in fiscal year 2006. This increase occurred mainly in cash, which was due to increased federal funding.

Long-term liabilities increased 10% in fiscal year 2006, due mainly to the opening of a credit line.

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

Table 2 shows the change in net assets for fiscal years 2006 and 2005 for comparison purposes.

Eastgate Regional Council of Governments
Mahoning County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Table 2
6/30/2006

	Business-Type Activities	
	2006	2005
<u>OPERATING REVENUE:</u>		
Membership Dues	\$ 168,936	\$ 168,936
Charges for Services	131,128	201,983
Miscellaneous	416	897
USGS Passthrough	19,200	18,400
TOTAL OPERATING REVENUES	319,680	390,216
<u>OPERATING EXPENSES:</u>		
Salaries and Benefits	998,679	928,466
Other Expenses	230,689	277,481
General Administrative and Fiscal Costs	115,717	159,872
Occupancy	98,890	94,989
Depreciation	11,609	9,809
USGS Passthrough	19,200	18,400
TOTAL OPERATING EXPENSES	1,474,784	1,489,017
Operating Income (Loss)	(1,155,104)	(1,098,801)
<u>NON-OPERATING REVENUE:</u>		
Federal	1,119,554	881,669
State	64,169	58,135
Golf Outing (Net)	28	338
Interest Income	1,152	909
TOTAL NON-OPERATING REVENUE	1,184,903	941,051
Changes in Net Assets	29,799	(157,750)
Net Assets (Deficit) Beginning of Year	300,070	457,820
Net Assets (Deficit) End of Year	\$ 329,869	\$ 300,070

In fiscal year 2006, revenues increased 13% due to increased federal funding, while expenditures decreased slightly from fiscal year 2005.

Eastgate Regional Council of Governments
Mahoning County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Enterprise Fund Budgeting Highlights

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

Capital Assets and Debt Administration

At the end of fiscal year 2006, Eastgate had \$33,921 (net) invested in equipment and furniture.

Debt

At June 30, 2006, EASTGATE had long-term debt of \$44,752. Long-term debt is made up of \$232 dedicated to the dredging project, and a credit line of \$44,520. Because of the nature of the dredging project debt, no payments have been scheduled.

Current Financial Related Activities

EASTGATE receives its funding from the Federal Highway Administration, the Federal Transit Administration, the Ohio Department of Transportation, the Ohio Public Works Commission, Mahoning, Trumbull and Columbiana Counties, and numerous public entities within the counties. Grants for fiscal years 2007 and 2008 appear certain.

Contacting Eastgate's Financial Management

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

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2006**

ASSETS

Cash	\$ 403,638
Restricted Dredging Project Escrow Cash	100
Accounts Receivable	252,780
Prepaid Expenses	10,138
Deferred Charges	1,633
Property and Equipment	33,921

TOTAL ASSETS

\$ 702,210

LIABILITIES

Accounts Payable	\$ 51,831
Payroll Withholding	7,577
Accrued Payroll	29,376
Fringe Benefits (Note 4)	131,811
Payroll Liabilities	22,422
Deferred Revenue	84,468
Accrued Interest	103
Long-term Liability - Due Within One Year	
Credit Line	44,520
Liability for Dredging Project Escrow	232

Total Liabilities

\$ 372,340

NET ASSETS

Invested in Capital Assets	\$ 33,921
Unrestricted	295,948

TOTAL NET ASSETS

\$ 329,869

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

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

OPERATING REVENUE:

Membership Dues	\$	168,936
Charges for Services		131,128
Miscellaneous		416
USGS Passthrough		19,200
		19,200
TOTAL OPERATING REVENUES		319,680

OPERATING EXPENSES:

Salaries	569,003
Other Expenses	230,689
General Administrative and Fiscal Costs	115,717
Computer Updates	3,790
Travel	5,995
Telephone	8,728
Duplicating and Printing	6,885
Machine Rental and Maintenance	7,555
Office Supplies	1,223
Occupancy	98,890
Professional Services	8,804
Postage	566
Miscellaneous	827
Depreciation	11,609
USGS Passthrough	19,200
Paid Leave	132,973
Hospitalization	120,062
Payroll Taxes	132,268
	132,268
TOTAL OPERATING EXPENSES	1,474,784

Operating Income (Loss)	(1,155,104)
-------------------------	-------------

NON-OPERATING REVENUE:

Federal	1,119,554
State	64,169
Golf Outing (Net)	28
Interest Income	1,152
	1,152
TOTAL NON-OPERATING REVENUE	1,184,903

Changes in Net Assets	29,799
Net Assets (Deficit) Beginning of Year	300,070
Net Assets (Deficit) End of Year	\$ 329,869

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

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Customers	\$ 319,680
Cash Payments to Employees for Services	(703,140)
Cash Payments for Employee Benefits	(395,556)
Cash Payments for Goods and Services	(146,048)
Other Cash Payments	<u>(236,786)</u>

Net Cash Provided by (Used in) Operating Activities (1,161,850)

Cash Flows from Noncapital Financing Activities

Grants Received	<u>1,223,797</u>
-----------------	------------------

Net Cash Provided by (Used by) Noncapital Financing Activities 1,223,797

Cash Flows from Capital Financing Activities

Proceeds from Credit Line	44,520
Acquisition of Capital Assets	<u>(5,742)</u>

Net Cash Provided by (Used by) Capital Financing Activities 38,778

Cash Flows from Investing Activities

Interest on Investments	<u>1,152</u>
-------------------------	--------------

Net Cash Provided by (Used by) Investing Activities 1,152

Net Increase (Decrease) in Cash and Cash Equivalents 101,877

Cash and Cash Equivalents Beginning of Year 301,761

Cash and Cash Equivalents End of Year \$ 403,638

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

Operating Income (Loss) \$ (1,155,104)

Adjustments:

Depreciation	11,609
(Increase) Decrease in Assets:	
Prepaid Expenses	(10,138)
Increase (Decrease) in Liabilities:	
Accounts Payable	(16,415)
Accrued Wages and Benefits	184
Payroll Withholding	5,768
Fringe Benefits	(10,222)
Payroll Liabilities	<u>12,468</u>

Total Adjustments (6,746)

Net Cash Provided by (Used in) Operating Activities \$ (1,161,850)

See accompanying notes to the basic financial statements

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

General

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

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

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

With respect to proprietary activities, EASTGATE has adopted GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting*. EASTGATE has elected to apply all applicable FASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board Opinions issued on or after November 30, 1989, unless those pronouncements conflict with or contradict FASB pronouncements.

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

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

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

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

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2006**

Method of Accounting

EASTGATE's funds are accounted for using the accrual basis of accounting. Revenues are recognized as earned from grant agencies when the related expenses are recognized. Direct costs are billed to grantor agencies at actual cost; indirect costs are billed at a fixed rate with a carry forward and an adjustment is made annually for differences between amount billed and indirect costs incurred. Local revenue funds are recognized as revenue in the period in which they are assessed. The recognition of local revenue funds received which related to assessments for subsequent events is deferred.

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment are stated at cost. EASTGATE's policy as to depreciation is to amortize the cost of depreciable assets over their estimated useful lives computed by the straight-line method. Furniture and equipment are purchased principally with local funds.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

State statutes classify monies held by EASTGATE into three categories.

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

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

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

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

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

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2006**

At year end, the carrying amount of EASTGATE's deposits was \$403,738, and the bank balance was \$447,844. Of the bank balance, \$200,100 was insured by FDIC and \$247,744 was uninsured. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject EASTGATE to a successful claim by the FDIC.

Investments - EASTGATE had no investments at June 30, 2006.

3. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Defined Benefit Pension Obligation

All employees of EASTGATE participate in the OPERS, a cost-sharing multiple employer defined benefit pension plan. The OPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees is 9.0%. The 2006 employer rate (the latest information available) for local government employer units was 13.70% of covered payroll, 9.20% to fund the pension benefit obligation and 4.5% to fund health care. The contribution requirements of plan members and EASTGATE are established and may be amended by the Public Employees Retirement Board. EASTGATE's contributions to the OPERS for the years ending June 30, 2006, 2005, and 2004, were \$118,998, \$105,312, and \$103,496, respectively, which represents 100 percent contributions for all three years.

Other Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with the traditional plan. 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 Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional plan is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.54 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 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 .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after eight years.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2006**

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 annually.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$39,520. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

4. ACCUMULATED UNPAID EMPLOYEE BENEFITS

EASTGATE employees generally earn vacation ranging 10 to 25 days per year based on the length of service. The amount accrued for vacation leave was \$80,414. The amount accrued for sick leave was \$50,754. These two numbers and an amount of \$643 for deferred compensation is included in the total liability for fringe benefits of \$131,811.

5. LEASE

EASTGATE leases its office facility under an operating lease which began December 1, 2006 and is for a five years and one month term expiring December 31, 2011.

Minimum future rental commitments under a non-cancelable operating lease having a remaining term of 61 months are as follows:

July 1, 2006 to June 30, 2007	\$ 51,359
July 1, 2007 to June 30, 2008	88,044
July 1, 2008 to June 30, 2009	88,044
July 1, 2009 to June 30, 2010	88,044
July 1, 2010 to December 31, 2011	132,066
Total Minimum Payments Required	<u>\$ 447,557</u>

6. COST ALLOCATION METHOD

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

Costs were distributed to the projects and activities pursuant to a cost allocation plan and/or a method of allocation, as applicable, as required by Office Management and Budget Circular A-87 and Handbook 6042.1 Rev.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2006**

7. CONTINGENCIES

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

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance 7/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2006</u>
Equipment, Furniture and Fixtures	\$ 218,714	\$ 5,742	-	\$ 224,456
Accumulated Depreciation	<u>(178,927)</u>	<u>(11,608)</u>	-	<u>(190,535)</u>
Net Capital Assets	<u>\$ 39,787</u>	<u>\$ (5,866)</u>	-	<u>\$ 33,921</u>

9. RISK MANAGEMENT

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

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

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

10. DEBT

During fiscal year 2006, EASTGATE opened a line of credit and drewdown \$44,520. There is no scheduled payoff of the line of credit. This debt was paid off in July 2006.

Eastgate Regional Council of Governments

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2006

Federal Grantor/Pass Through Grantor Program Title	Grant Number	CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Transportation</u>				
Passed Through the Ohio Department of Transportation:				
Federal Highway Administration:				
Highway Research	9230	20.205	\$ 482,495	\$ 565,912
Highway Research Carryover	9230	20.205	30,853	34,711
STP	9230	20.205	176,897	160,054
TRC Softmatch Carryover	9230	20.205	23,851	21,505
Aerial #2	9230	20.205	14,275	-
Aerial #3	9230	20.205	4,257	4,257
Air Quality Program	8617	20.205	164,895	126,896
Rideshare Carryover Program	9230	20.205	<u>17,811</u>	<u>18,866</u>
Total Ohio Department of Transportation			915,334	932,201
Passed Through the Western Reserve Transit Authority (WRTA):				
Transit Exclusive 5307	5307	20.507	<u>38,570</u>	<u>29,434</u>
Total U.S. Department of Transportation			953,904	961,635
<u>U.S. Environmental Protection Agency</u>				
Water Quality Planning (EPA)	604(b)	66.458	38,290	40,876
<u>U.S. Department of Defense</u>				
Passed Through the Mahoning Valley Economic Development Corporation:				
2006 Procurement Program	SCAP03-3	12.002	44,795	59,575
<u>U.S. Department of Commerce</u>				
Passed Through the State and Urban Area Economic Development:				
Planning Program	06-83-04590	11.302	<u>82,565</u>	<u>60,896</u>
Total Federal Financial Assistance			<u>\$ 1,119,554</u>	<u>\$ 1,122,982</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2006

1. **General**

The accompanying schedule of federal awards expenditures is a summary of the activity of EASTGATE's federal awards programs. The schedule has been prepared on the cash basis of accounting.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Eastgate Regional Council of Governments (Eastgate), Mahoning County, Youngstown, Ohio as of and for the year ended June 30, 2006, and have issued our report thereon dated March 23, 2007. 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 Eastgate's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by errors or fraud 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 other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of Eastgate Regional Council of Governments in a separate letter dated March 23, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastgate's financial statements are free of material misstatement, we performed tests of its compliance with provisions of law, regulations, contracts, grant agreements and other matters, 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 are not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, 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.

Charles E. Harris & Associates, Inc.
March 23, 2007

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

To Board of Directors:

Compliance

We have audited the compliance of the Eastgate Regional Council of Governments (Eastgate), Mahoning County, Youngstown, Ohio with the types of compliance requirements described in *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, 2006. Eastgate'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 its major federal program is the responsibility of Eastgate's management. Our responsibility is to express an opinion on Eastgate'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 the Eastgate'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 Eastgate's compliance with those requirements.

In our opinion, Eastgate 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, 2006.

Internal Control Over Compliance

The management of Eastgate 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 Eastgate'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 caused by error or fraud 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 for the information of the Board of Directors, management and 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.

Charles E. Harris & Associates, Inc.
March 23, 2007

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 SCHEDULE OF FRINGE BENEFITS AND
 COMPUTATION OF FRINGE BENEFIT RATES
 FOR THE YEAR ENDED JUNE 30, 2006**

Fringe Benefits	
Sick, Vacation, and Holiday Pay	\$ 132,973
Hospitalization and Life Insurance	120,062
PERS	118,998
Worker's Compensation, Unemployment & Medicare	<u>13,270</u>
 TOTAL FRINGE BENEFIT COSTS (A)	 <u>385,303</u>
 Direct and Administrative Salaries	
Direct Salaries	\$ 569,003
Indirect Salaries - Administrative	<u>115,717</u>
 TOTAL DIRECT AND ADMINISTRATIVE SALARIES (B)	 <u>684,720</u>
 FRINGE BENEFIT RATE (A/B)	 56.27%

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS AND
COMPUTATION OF INDIRECT COST RATES
FOR THE YEAR ENDED JUNE 30, 2006**

Indirect Costs	
Administrative and Fiscal Management	\$ 115,717
Fringe Benefits - \$108,762 x 51.81%=56,347	65,116
Postage	566
Travel	5,995
Telephone	8,728
Machine Rental and Maintenance	7,555
Duplication and Printing	6,885
Office Supplies	1,223
Depreciation	11,609
Office Rent, Utilities & Insurance	98,890
Legal and Audit	8,804
Computers	3,790
Miscellaneous	<u>827</u>
 TOTAL INDIRECT COSTS (A)	 <u>335,705</u>
 DIRECT SALARIES (B)	 <u>569,003</u>
 INDIRECT COST RATE (A/B)	 59.00%

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 FHWA/ODOT GRANT
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>ACTUAL</u>
Revenue:	
FHWA Grant Funds	\$ 482,495
ODOT Grant Funds	60,312
Local Match	60,312
Total Revenue	<u>603,119</u>
Expenditures:	
Direct Salaries	259,161
Direct Expenditures	55,837
Fringe Benefits	159,203
Indirect Costs	154,590
Total Expenditures	<u>628,791</u>
Revenue Over/Under Expenditures	<u>(25,672)</u>
Grant Funds Received	542,807
90% of Total Expenditures	<u>565,912</u>
Amount in Excess of 90%	<u>\$ (23,105)</u>

Note: Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 FHWA/ODOT GRANT CARRYOVER
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2006

	ACTUAL
Revenue:	
FHWA Grant Funds	\$ 30,853
ODOT Grant Funds	3,857
Local Match	3,857
Total Revenue	38,567
Expenditures:	
Direct Salaries	
Direct Expenditures	38,568
Total Expenditures	38,568
Revenue Over/Under Expenditures	(1)
Grant Funds Received	34,710
90% of Total Expenditures	34,711
Amount in Excess of 90%	\$ (1)

Note: Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT STP
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2006

	ACTUAL
Revenue:	
Grant Funds	\$ 176,897
Expenditures:	
Direct Salaries	68,729
Direct Expenditures	8,108
Fringe Benefits	42,220
Indirect Costs	40,997
Total Expenditures	160,054
Revenue Over/Under Expenditures	16,843
Grant Funds Received	176,897
100% of Total Expenditures	160,054
Amount in Excess of 100%	\$ 16,843

Note: Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT STP - AERIAL #2
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2006

	ACTUAL
Revenue:	
Grant Funds	\$ 14,275
Revenue Over/Under Expenditures	14,275
Grant Funds Received	14,275
Amount in Excess of 100%	\$ 14,275

Note: Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT STP - TRC SOFTMATCH CARRYOVER
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2006

	ACTUAL
Revenue:	
Grant Funds	\$ 23,851
Expenditures:	
Direct Salaries	10,808
Fringe Benefits	6,639
Indirect Costs	6,447
Total Expenditures	23,894
Revenue Over/Under Expenditures	(43)
Grant Funds Received	23,851
90% of Total Expenditures	21,505
Amount in Excess of 90%	\$ 2,346

Note: Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT STP - AERIAL #3
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2006

	ACTUAL
Revenue:	
Grant Funds	\$ 4,257
Expenditures:	
Direct Expenditures	4,257
Revenue Over/Under Expenditures	-
Grant Funds Received	4,257
100% of Total Expenditures	4,257
Amount in Excess of 100%	\$ -

Note: Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT - CMAQ OZONE
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>ACTUAL</u>
Revenue:	
Grant Funds	\$ 164,895
Expenditures:	
Direct Salaries	20,061
Direct Expenditures	82,546
Fringe Benefits	12,323
Indirect Costs	11,966
Total Expenditures	126,896
Revenue Over/Under Expenditures	37,999
Grant Funds Received	164,895
100% of Total Expenditures	126,896
Amount in Excess of 100%	\$ 37,999

Note: Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT CMAQ - RIDESHARE
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>ACTUAL</u>
Revenue:	
Grant Funds	\$ 17,811
Expenditures:	
Direct Salaries	8,319
Direct Expenditures	475
Fringe Benefits	5,110
Indirect Costs	4,962
Total Expenditures	18,866
Revenue Over/Under Expenditures	(1,055)
Grant Funds Received	17,811
100% of Total Expenditures	18,866
Amount in Excess of 100%	\$ (1,055)

Note:

Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
FTA SECTION 5307
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	ACTUAL
Revenue:	
Grant Funds	\$ 38,570
Local Match	9,643
Total Revenue	48,213
Expenditures:	
Direct Salaries	16,184
Direct Expenditures	1,012
Fringe Benefits	9,942
Indirect Costs	9,654
Total Expenditures	36,792
Revenue Over/Under Expenditures	11,421
Grant Funds Received	38,570
80% of Total Expenditures	29,434
Amount in Excess of 80%	\$ 9,137

Note:

Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
U.S. DEPARTMENT OF COMMERCE (EDA)
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	ACTUAL
Revenue:	
Grant Funds	\$ 56,760
Local Match	18,920
Total Revenue	75,680
Expenditures:	
Direct Salaries	34,136
Direct Expenditures	5,726
Fringe Benefits	20,970
Indirect Costs	20,362
Total Expenditures	81,194
Revenue Over/Under Expenditures	(5,514)
Grant Funds Received	75,680
75% of Total Expenditures	60,896
Amount in Excess of 67%	\$ 14,785

Note:

Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 EPA - WATER QUALITY PLANNING - 604(B)
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>ACTUAL</u>
Revenue:	
Grant Funds	\$ 38,290
Local Match	16,410
	<u>54,700</u>
Total Revenue	<u>54,700</u>
Expenditures:	
Element #1200.01	
Direct Salaries	2,088
Direct Expenditures	163
Fringe Benefits	1,283
Indirect Costs	1,245
	<u>4,779</u>
Total Expenditures Element #1200.01	<u>4,779</u>
Element #1200.02	
Direct Salaries	17,762
Direct Expenditures	320
Fringe Benefits	10,911
Indirect Costs	10,595
	<u>39,588</u>
Total Expenditures Element #1200.02	<u>39,588</u>
Element #1200.03	
Direct Salaries	6,229
Direct Expenditures	256
Fringe Benefits	3,826
Indirect Costs	3,716
	<u>14,027</u>
Total Expenditures Element #1200.03	<u>14,027</u>
Total Expenditures	<u>58,394</u>
Revenue Over/Under Expenditures	<u>(3,694)</u>
Grant Funds Received	54,700
70% of Total Expenditures	<u>40,876</u>
Amount in Excess of 100%	<u>\$ 13,824</u>

Note:

Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
U.S. DEPARTMENT OF DEFENSE -
PROCUREMENT TECHNICAL ASSISTANCE FOR BUSINESS FIRMS
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	Actual
Revenue:	
Grant Funds	\$ 44,795
Local Match	16,568
Total Revenue	61,363
Expenditures:	
Direct Salaries	34,802
Direct Expenditures	4,668
Fringe Benefits	21,380
Indirect Costs	20,760
Total Expenditures	81,610
Revenue Over/Under Expenditures	(20,247)
Grant Funds Received	61,363
73% of Total Expenditures	59,575
Amount in Excess of 100%	\$ 1,788

Note: Eastgate invoiced using a fixed rate of 61.43% for Fringe Benefits and 59.65% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 56.27% for Fringe Benefits and 59.00% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by the Eastgate Oversight Agency.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Highway Research Planning and Construction CFDA # 20.205
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY
JUNE 30, 2006

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2005, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 22, 2007**