

Ohio Mid-Eastern Governments Association
Guernsey County
Single Audit
For the Year Ended June 30, 2012



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Dave Yost • Auditor of State

Executive Board
Ohio Mid-Eastern Governments Association
PO Box 130
Cambridge, Ohio 43725

We have reviewed the *Independent Auditor's Report* of the Ohio Mid-Eastern Governments Association, Guernsey County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 15, 2013

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Ohio Mid-Eastern Governments Association
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For the Year Ended June 30, 2012

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Independent Auditor's Report

Executive Board
Ohio Mid-Eastern Governments Association
P.O. Box 130
Cambridge, Ohio 43725

We have audited the accompanying financial statements of the governmental activities and each major fund of Ohio Mid-Eastern Governments Association, Guernsey County (OMEGA) as of and for the year ended June 30, 2012, 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 the 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 previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Ohio Mid-Eastern Governments Association, Guernsey County, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012 on our consideration of the OMEGA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OMEGA's basic financial statements. 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated in all material respects in relation to the financial statements as a whole.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 7, 2012

Ohio Mid-Eastern Governments Association

Management's Discussion and Analysis

For the Year Ended June 30, 2012

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, 2012. The intent of this discussion and analysis is to look at OMEGA's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of OMEGA's financial performance.

Financial Highlights

Key financial highlights for the year 2012 are as follows:

- Net assets of governmental activities increased by \$88,186.
- Intergovernmental revenues in the form of federal and state grants and interest received on revolving loan programs for governmental activities accounted for \$618,494 in revenue, or 86 percent of all governmental revenues and 99 percent of total program specific revenues. Program specific revenues in the form of charges for services accounted for \$6,838, or 1 percent of total program specific revenues of \$625,332.
- OMEGA had \$633,705 in expenses related to governmental activities; most of these expenses were offset by program specific charges for services, grants, contributions and interest received on revolving loan programs. General revenues of \$96,559 were also available to provide for these programs.
- The Revolving Loan Fund granted four new loans during the year with aggregate proceeds of \$335,000.
- The General Fund, one of the major funds, had \$97,112 in revenues. The General Fund's balance increased by \$2,082 after transfers out to other funds. General Fund revenue decreased by \$2,506.

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.

Reporting OMEGA as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the 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 2012?" 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.

Ohio Mid-Eastern Governments Association

Management's Discussion and Analysis

For the Year Ended June 30, 2012

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 Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Ohio Mid-Eastern Governments Association
Management's Discussion and Analysis
For the Year Ended June 30, 2012

OMEGA as a Whole

Recall that the statement of net assets provides the perspective of OMEGA as a whole. Table 1 provides a summary of OMEGA's net assets as of June 30, 2012, compared to June 30, 2011. OMEGA has only governmental activities.

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 2,258,705	\$ 2,171,100
Capital Assets, Net	39,756	36,190
Total Assets	<u>2,298,461</u>	<u>2,207,290</u>
Liabilities		
Current and Other Liabilities	47,517	38,031
Long-Term Liabilities	22,488	28,989
Total Liabilities	<u>70,005</u>	<u>67,020</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	34,224	27,715
Restricted for:		
Loans	1,547,413	1,446,426
Health Benefits	115,916	139,980
Other Purposes	268,866	302,675
Unrestricted	262,037	223,474
Total Net Assets	<u>\$ 2,228,456</u>	<u>\$ 2,140,270</u>

Total assets increased \$91,171. Loans receivable increased \$100,987. Four new loans were issued during the fiscal year. No loans were written off as uncollectible during the fiscal year. Principal repayments during the year totaled \$234,013, while aggregate proceeds from new loans granted were \$335,000. Total liabilities increased \$2,985, primarily as the result of an increase in claims payable which is partially offset by decreases in compensated absences and the capital lease balance.

Ohio Mid-Eastern Governments Association
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Table 2 shows the changes in net assets for the year ended June 30, 2012, compared to the year ended June 30, 2011. OMEGA has only governmental activities.

Table 2
Change in Net Assets

	2012	2011
Revenues		
Program Revenues:		
Charges for Services	\$ 6,838	\$ 8,231
Operating Grants, Contributions and Interest	618,494	538,997
General Revenues:		
Membership Fees	88,599	88,914
Interest	4,472	4,496
Miscellaneous	3,488	6,208
Total Revenues	<u>721,891</u>	<u>646,846</u>
Expenses		
Economic Development	631,924	627,376
Interest	1,781	1,781
Total Expenses	<u>633,705</u>	<u>629,157</u>
Change in Net Assets	<u>\$ 88,186</u>	<u>\$ 17,689</u>

In fiscal year 2012, 86 percent of OMEGA's revenues were from operating grants, contributions and interest as compared to 83 percent in 2011. In fiscal years 2012 and 2011, 12 percent and 14 percent of revenues, respectively, came from membership fees.

Program revenues accounted for 87 percent of OMEGA's revenues in fiscal year 2012, as compared to 85 percent in the prior year. These revenues consist of various federal and state grants, interest received on revolving loans and charges for services.

Economic development accounts for nearly 100 percent of total program expenses. Total expenses were \$4,548 more in fiscal year 2012 than in 2011. The primary reason for the increase in program expenses was an increase in administrative costs.

OMEGA's Funds

OMEGA's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$721,891 and expenditures of \$643,772. As apparent, OMEGA's revenues exceeded spending during the fiscal year ended June 30, 2012. OMEGA's major funds included 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 2012, OMEGA supplemented its Appalachian Regional Commission Fund and Economic Development Administration Fund with transfers from the General Fund.

Ohio Mid-Eastern Governments Association

Management's Discussion and Analysis

For the Year Ended June 30, 2012

The General Fund balance increased by \$2,082 during fiscal year 2012, as revenues were sufficient to cover expenditures and necessary grant fund transfers. The most significant component of General Fund revenues is the fees charged to members.

Capital Assets and Debt Administration

Capital Assets

OMEGA's investment in capital assets as of June 30, 2012 was \$17,348. This investment in capital assets includes office furniture and equipment and leasehold improvements. The following table shows fiscal year 2012 balances compared to fiscal year 2011:

Capital Assets at June 30 (Net of Depreciation) Governmental Activities		
	2012	2011
Office Furniture and Equipment	\$32,055	\$36,190
Leasehold Improvements	7,701	0
Total	<u>\$39,756</u>	<u>\$36,190</u>

Net capital assets increased \$3,566 from the prior fiscal year. This was due to capital assets additions exceeding depreciation expense.

For more information on capital assets, refer to note 13 to the basic financial statements.

Debt

At June 30, 2012, OMEGA had \$5,532 in an outstanding capital lease with \$3,522 due within one year. This balance decreased from the \$8,475 outstanding at June 30, 2011 due to principal payments made during the year.

For more information on debt, refer to notes 10 and 11 to the basic financial statements.

Economic Factors

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

Contacting OMEGA's Financial Management

This financial report is designed to provide a general overview of OMEGA's finances for all those with an interest in OMEGA'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, 2012

Assets

Equity in Pooled Cash and Cash Equivalents	\$582,024
Equity in Pooled Cash and Cash Equivalents with Fiscal Agent	115,916
Prepaid Expenses	13,352
Loans Receivable	1,547,413
Depreciable Capital Assets, Net	<u>39,756</u>

Total Assets 2,298,461

Liabilities

Accrued Expenses	16,193
Claims Payable	31,324
Long-Term Liabilities:	
Due Within One Year	20,478
Due in More Than One Year	<u>2,010</u>

Total Liabilities 70,005

Net Assets

Invested in Capital Assets, Net of Related Debt	34,224
Restricted for:	
Loans	1,547,413
Health Benefits	115,916
Other Purposes	268,866
Unrestricted	<u>262,037</u>

Total Net Assets \$2,228,456

See accompanying notes to the basic financial statements.

Ohio Mid-Eastern Governments Association
Statement of Activities
For the Fiscal Year Ended June 30, 2012

		Program Revenues		Net Revenue (Expense) and Change in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Primary Government Governmental Activities
Primary Government Governmental Activities:				
Economic Development	\$631,924	\$6,838	\$618,494	(\$6,592)
Interest	1,781	0	0	(1,781)
Total Governmental Activities	\$633,705	\$6,838	\$618,494	(8,373)
General Revenues				
				88,599
				4,472
				3,488
			<i>Total General Revenues</i>	96,559
			Change in Net Assets	88,186
			<i>Net Assets Beginning of Year</i>	2,140,270
			<i>Net Assets End of Year</i>	\$2,228,456

See accompanying notes to the basic financial statements.

Ohio Mid-Eastern Governments Association
Balance Sheet
Governmental Funds
June 30, 2012

	General	Revolving Loan	Appalachian Regional Commission	Economic Development Administration	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$325,121	\$254,187	\$2,716	\$0	\$582,024
Equity in Pooled Cash and Cash Equivalents with Fiscal Agent	115,916	0	0	0	115,916
Prepaid Items	0	1,201	9,869	2,282	13,352
Due From Other Funds	0	14,566	0	0	14,566
Loans Receivable	0	1,547,413	0	0	1,547,413
<i>Total Assets</i>	<u>\$441,037</u>	<u>\$1,817,367</u>	<u>\$12,585</u>	<u>\$2,282</u>	<u>\$2,273,271</u>
Liabilities					
Accrued Expenses	\$0	\$1,464	\$12,209	\$2,520	\$16,193
Due to Other Funds	0	0	0	14,566	14,566
Claims Payable	31,324	0	0	0	31,324
<i>Total Liabilities</i>	<u>31,324</u>	<u>1,464</u>	<u>12,209</u>	<u>17,086</u>	<u>62,083</u>
Fund Balances					
Nonspendable:					
Prepaid Items	0	1,201	9,869	2,282	13,352
Restricted for:					
Health Benefits	115,916	0	0	0	115,916
Revolving Loan Programs	0	1,814,702	0	0	1,814,702
Unassigned	293,797	0	(9,493)	(17,086)	267,218
<i>Total Fund Balances</i>	<u>409,713</u>	<u>1,815,903</u>	<u>376</u>	<u>(14,804)</u>	<u>2,211,188</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$441,037</u>	<u>\$1,817,367</u>	<u>\$12,585</u>	<u>\$2,282</u>	<u>\$2,273,271</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, 2012*

Total Governmental Fund Balances	\$2,211,188
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	39,756
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(16,956)
Capital Lease	<u>(5,532)</u>

Net Assets of Governmental Activities	<u><u>\$2,228,456</u></u>
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See accompanying notes to the basic financial statements.

Ohio Mid-Eastern Governments Association
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Revolving Loan	Appalachian Regional Commission	Economic Development Administration	Total Governmental Funds
Revenues					
Intergovernmental	\$0	\$99,000	\$347,494	\$64,628	\$511,122
Interest	3,953	107,891	0	0	111,844
Membership Fees	88,599	0	0	0	88,599
Charges for Services	1,072	5,766	0	0	6,838
Other	3,488	0	0	0	3,488
<i>Total Revenues</i>	<u>97,112</u>	<u>212,657</u>	<u>347,494</u>	<u>64,628</u>	<u>721,891</u>
Expenditures					
Current:					
Economic Development	33,820	97,570	402,764	87,546	621,700
Capital Outlay	0	0	17,348	0	17,348
Debt Service:					
Principal Retirement	0	294	2,060	589	2,943
Interest	0	178	1,247	356	1,781
<i>Total Expenditures</i>	<u>33,820</u>	<u>98,042</u>	<u>423,419</u>	<u>88,491</u>	<u>643,772</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>63,292</u>	<u>114,615</u>	<u>(75,925)</u>	<u>(23,863)</u>	<u>78,119</u>
Other Financing Sources (Uses)					
Transfers In	0	0	28,488	32,722	61,210
Transfers Out	(61,210)	0	0	0	(61,210)
<i>Total Other Financing Sources (Uses)</i>	<u>(61,210)</u>	<u>0</u>	<u>28,488</u>	<u>32,722</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	2,082	114,615	(47,437)	8,859	78,119
<i>Fund Balances (Deficits) Beginning of Year</i>	<u>407,631</u>	<u>1,701,288</u>	<u>47,813</u>	<u>(23,663)</u>	<u>2,133,069</u>
<i>Fund Balances (Deficits) End of Year</i>	<u>\$409,713</u>	<u>\$1,815,903</u>	<u>\$376</u>	<u>(\$14,804)</u>	<u>\$2,211,188</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 Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds \$78,119

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. These are the amounts of capital outlays and depreciation in the current year:

Capital Asset Additions	17,348
Depreciation	(13,782)

Repayment of capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,943
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Some expenses reported in the statement of activities do not require the use of current financial resources when due.

Decrease in Compensated Absences	3,558
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Change in Net Assets of Governmental Activities	\$88,186
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See accompanying notes to the basic financial statements.

Ohio Mid-Eastern Governments Association

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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 twenty-one 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 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 government) 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 activities) 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, OMEGA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

Ohio Mid-Eastern Governments Association
Notes to the Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

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

Governmental Funds

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

OMEGA reports the following major governmental funds:

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

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

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

Economic Development Administration Fund – 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 “Transfers In” by the recipient fund, and “Transfers Out” by the disbursing fund. These amounts are eliminated on the statement of activities.

On the governmental fund balance sheet, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” 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 \$250. 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. At June 30, 2012, the cost of capital assets was \$98,989. Depreciation is computed on the straight-line method over the useful lives of the related assets. Office furniture and equipment have useful lives of 3 to 7 years. Leasehold improvements have a useful life of 15 years. Depreciation expense was \$13,782 for the fiscal year ended June 30, 2012.

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.

G. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which OMEGA is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Ohio Mid-Eastern Governments Association
Notes to the Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of OMEGA’s Executive Board. Those committed amounts cannot be used for any other purpose unless OMEGA’s Executive Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by OMEGA for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by OMEGA’s Executive Board.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

OMEGA applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

H. Net Assets

Net assets represent 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 OMEGA legislation or external restrictions by creditors, grantors, laws, or regulations of other governments. If restricted and unrestricted net assets are available for the same purpose, then restricted net assets will be used before unrestricted net assets. None of OMEGA’s restricted net assets are restricted by enabling legislation.

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 Revenue

OMEGA reports deferred revenue in the governmental fund balance sheet. Deferred 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. OMEGA had no deferred revenue during fiscal year 2012.

Ohio Mid-Eastern Governments Association
Notes to the Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Budgetary Process

Although a legal budget is not required, nor is a budgetary statement presented, 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, 2012, amounted to \$75,285.

L. Cost Allocation

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

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

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

M. Compensated Absences

OMEGA reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* as interpreted by Interpretation No. 6 of the GASB, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that OMEGA will compensate the employees for the benefits through paid time off or some other means. Since unused sick leave is not payable upon termination, no accrual is made for sick leave.

The entire amount is reported as a liability in the statement of net assets.

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 estimated to be \$15,710. OMEGA also received donated office space and office equipment from various sources. The value of the space and equipment is estimated to be \$59,575.

Ohio Mid-Eastern Governments Association
Notes to the Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3. DEPOSITS AND INVESTMENTS

The investments and deposits of OMEGA are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit OMEGA to invest monies in certificates of deposit, saving accounts, money market accounts, the State Treasurer's investment pool (STAROhio) and obligations of the United States government or certain agencies thereof. OMEGA may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105 percent of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require that securities maintained for public deposits and investments be held in OMEGA's name. OMEGA is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). OMEGA is also prohibited from investing in reverse repurchase agreements.

Cash with Fiscal Agent

At June 30, 2012, OMEGA had a cash balance of \$115,916 with OME-RESA, a claims servicing pool (see note 8), which is a portion of OMEGA's General Fund balance. The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by OMEGA. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, OMEGA's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as a specific collateral held at the Federal Reserve Bank in the name of OMEGA.

At June 30, 2012, the carrying amount of the OMEGA's deposits was \$582,024. All of the bank balance was either covered by FDIC insurance or collateralized by a pool of securities maintained by the financial institutions which act as depositories for OMEGA, but not in the name of OMEGA. There are no cash restrictions at June 30, 2012.

Investments

OMEGA held no investments at June 30, 2012.

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, 2012, management determined that all of the loan balances were fully collectible.

Ohio Mid-Eastern Governments Association
Notes to the Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 4. CONCENTRATIONS (CONTINUED)

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

NOTE 5. DEFINED BENEFIT PENSION PLAN

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

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over 5 years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multi-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601, or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2012, 2011, and 2010 member contribution rates were 10.0 percent for members in local classifications.

The employer contribution rates for local government employer units were 14.0 percent of covered payroll for the fiscal years 2012, 2011, and 2010.

Total required employer contributions for 2012, 2011, and 2010 were \$27,547, \$24,992, and \$22,801, respectively. The full amount has been contributed for each year.

NOTE 6. POST-EMPLOYMENT BENEFITS

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

Ohio Mid-Eastern Governments Association
Notes to the Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 6. POST-EMPLOYMENT BENEFITS (CONTINUED)

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Plan B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Retirement Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

OMEGA's actual contributions for 2012, 2011, and 2010 which were used to fund post-employment benefits were \$11,019, \$13,884, and \$15,200, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for local employers increased as of January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Mid-Eastern Governments Association
Notes to the Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 7. OTHER EMPLOYEE BENEFITS

Full-time employees earn vacation based 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.

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	Cincinnati Insurance Co.
General Liability	2,000,000	Westfield Companies
Business Personal Property	120,000	Westfield Companies
Employee Theft	50,000	Westfield Companies

Settled claims have not exceeded coverage in any of the last 3 years. There has been no significant reduction in coverage from the prior year.

OMEGA is a member of a claims servicing pool, consisting of school districts and other entities throughout the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on OMEGA's behalf. The plan is administered through OME-RESA and provides stop loss protection of \$250,000 per individual per year. The claims liability of \$31,324, reported in the General Fund at June 30, 2012, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2012	\$23,249	\$116,471	\$108,396	\$31,324
2011	9,134	86,038	71,923	23,249

As of June 30, 2012, OMEGA had a plan asset balance of \$115,916 with the Consortium. The entire plan asset balance is restricted for the payment of health benefits.

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, 2012.

Ohio Mid-Eastern Governments Association
Notes to the Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 10. LEASES

Operating Lease:

OMEGA leases office equipment under various operating leases with terms exceeding one year. OMEGA's administrative offices are leased under a year-to-year agreement. The amount expensed under these operating leases during the year ended June 30, 2012 was \$1,164. Minimum future payments required under leases with a minimum term exceeding one year are approximately \$1,164 for the year ending June 30, 2013; \$1,164 for the year ending June 30, 2014; and \$1,164 for the year ending June 30, 2015.

Capital Lease:

OMEGA entered into a capital lease for office equipment in 2009. The asset under the capital lease is capitalized in the governmental activities general capital assets at \$31,390, which represents the present value of the future minimum lease payments at acquisition, plus the cash paid as a down payment in the amount of \$13,890. A liability was recorded in the governmental activities liabilities.

The following is a schedule of future minimum lease payments under the capital leases as of June 30, 2012.

<u>Year Ending June 30</u>	
2013	\$ 4,240
2014	<u>2,120</u>
Total minimum lease payments	6,360
Less amount representing interest	<u>(828)</u>
Present value of minimum lease payments	<u>\$ 5,532</u>

NOTE 11. LONG-TERM LIABILITIES

Changes in OMEGA's long-term liabilities during the year consisted of the following:

	<u>Outstanding</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u>	<u>Amount Due</u>
	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2012</u>	<u>June 30, 2012</u>	<u>Within One</u>
	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2012</u>	<u>June 30, 2012</u>	<u>Year</u>
Capital Lease	\$8,475	\$0	\$2,943	\$5,532	\$3,522
Compensated Absences	20,514	52,494	56,052	16,956	16,956
Total	<u>\$28,989</u>	<u>\$52,494</u>	<u>\$58,995</u>	<u>\$22,488</u>	<u>\$20,478</u>

Compensated absences will be paid out of the fund that pays the employee's salary. The capital lease is paid from the Revolving Loan, Appalachian Regional Commission, and Economic Development Administration Funds based on allocations approved in the cost allocation plan.

Ohio Mid-Eastern Governments Association
Notes to the Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 12. INTERFUND ACTIVITY

The following is a summary of operating transfers in and out for all funds for the year ended June 30, 2012:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$ 61,210
Appalachian Regional Commission Fund	28,488	0
Economic Development Administration Fund	<u>32,722</u>	<u>0</u>
Totals	<u>\$ 61,210</u>	<u>\$ 61,210</u>

Transfers were made from the General Fund to the Appalachian Regional Commission and Economic Development Administration Funds to subsidize operations.

The following is a summary of interfund balances for all funds for the year ended June 30, 2012:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Revolving Loan Fund	\$ 14,566	\$ 0
Economic Development Administration Fund	<u>0</u>	<u>14,566</u>
Totals	<u>\$ 14,566</u>	<u>\$ 14,566</u>

An interfund balance exists between the Revolving Loan and Economic Development Administration Funds to account for amounts due by the Economic Development Administration Fund to reimburse the Revolving Loan Fund for indirect cost allocations.

NOTE 13. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Historic cost:				
Office furniture and equipment	\$81,641	\$9,267	\$0	\$90,908
Leasehold improvements	0	8,081	0	8,081
Total historic cost	<u>81,641</u>	<u>17,348</u>	<u>0</u>	<u>98,989</u>
Less accumulated depreciation:				
Office furniture and equipment	(45,451)	(13,402)	0	(58,853)
Leasehold improvements	0	(380)	0	(380)
Total accumulated depreciation	<u>(45,451)</u>	<u>(13,782)</u>	<u>0</u>	<u>(59,233)</u>
Governmental activities capital assets, net	<u>\$36,190</u>	<u>\$3,566</u>	<u>\$0</u>	<u>\$39,756</u>

Depreciation expense was fully allocated to economic development.

Ohio Mid-Eastern Governments Association
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Award Year	Federal CFDA Number	Disbursements
<u>Department of Commerce</u>				
<i>Direct:</i>				
Economic Development-Support for Planning Organizations	N/A	2011	11.302	64,628
Economic Adjustment Assistance: Revolving Loan Program	N/A	2010/2011	11.307	<u>362,824</u>
Total Department of Commerce				427,452
<u>Department of Agriculture</u>				
<i>Direct:</i>				
Rural Business Enterprise Grant	N/A	2012	10.769	<u>99,000</u>
Total Department of Agriculture				99,000
<u>Appalachian Regional Commission</u>				
<i>Direct:</i>				
Appalachian Research, Technical Assistance, and Demonstration Projects:				
Technical Assistance 301 (A)	N/A	2011	23.011	54,250
Technical Assistance 301 (A)	N/A	2012	23.011	162,750
Revolving Loan Program	N/A	2011/2012	23.011	<u>981,997</u>
Total Appalachian Regional Commission				<u>1,198,997</u>
Total Federal Financial Assistance				<u>\$1,725,449</u>

N/A - direct grant.

The notes to the schedule of federal awards expenditures are an integral part of this statement.

Ohio Mid-Eastern Governments Association
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2012

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures (the schedule) summarizes activity of Ohio Mid-Eastern Governments Association's (OMEGA) federal award programs. The schedule has been prepared on the modified accrual basis of accounting.

NOTE 2. REVOLVING LOAN FUND

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

Current year activity in the EDA Revolving Loan fund during the fiscal year 2012 is as follows:

Loans receivable balance as of June 30, 2012:	\$ 300,071
Cash balance on hand in the revolving loan fund as of June 30, 2012:	56,538
Administrative costs expended during fiscal year 2012:	<u>6,215</u>
Total (federal share of 100%)	\$ 362,824

NOTE 3. MATCHING REQUIREMENTS

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Executive Board
Ohio Mid-Eastern Governments Association
P.O. Box 130
Cambridge, Ohio 43725

We have audited the financial statements of the governmental activities and each major fund of Ohio Mid-Eastern Governments Association, Guernsey County, (OMEGA) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 7, 2012. 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

Management of OMEGA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered OMEGA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OMEGA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OMEGA's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of OMEGA's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

Compliance and Other Matters (Continued)

We noted a certain matter that we reported to management of OMEGA in a separate letter dated December 7, 2012.

This report is intended solely for the information and use of management, the Executive Board, others within OMEGA, 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.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 7, 2012

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Executive Board
Ohio Mid-Eastern Governments Association
P.O. Box 130
Cambridge, Ohio 43725

Compliance

We have audited Ohio Mid-Eastern Governments Association's, Guernsey County, (OMEGA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of OMEGA's major federal programs for the year ended June 30, 2012. OMEGA's major federal programs are 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 OMEGA's management. Our responsibility is to express an opinion on OMEGA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the a major federal program occurred. An audit includes examining, on a test basis, evidence about OMEGA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of OMEGA's compliance with those requirements.

In our opinion, OMEGA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of OMEGA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered OMEGA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of OMEGA's internal control over compliance.

Internal Control Over Compliance (Continued)

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

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

We noted a certain matter that we reported to management of OMEGA in a separate letter dated December 7, 2012.

This report is intended solely for the information and use of management, the Executive Board, others within OMEGA, 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.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 7, 2012

Ohio Mid-Eastern Governments Association
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of financial statement opinion:		Unqualified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Appalachian Research, Technical Assistance, and Demonstration Projects, CFDA #23.011 Economic Adjustment Assistance, CFDA #11.307
Dollar threshold used to distinguish between type A and type B programs:		Type A: > \$300,000 Type B: All Others
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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Dave Yost • Auditor of State

OHIO MID EASTERN GOVERNMENTS ASSOCIATIONS

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 28, 2013**