

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

AUDIT REPORT

For the year ended June 30, 2004

Charles E. Harris & Associates, Inc.

Certified Public Accountants



**Auditor of State
Betty Montgomery**

Board of Directors
Eastgate Regional Council of Governments

We have reviewed the Independent Auditor's Report of the Eastgate Regional Council of Governments, Mahoning County, prepared by Charles E. Harris & Associates, Inc. for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 8, 2005

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EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
AUDIT REPORT
For the Year Ended June 30, 2004

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

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REPORT OF INDEPENDENT ACCOUNTANTS

**Board of Directors
Eastgate Regional Council of Governments
Youngstown, Ohio**

We have audited the financial statements of the business-type activities of the Eastgate Regional Council of Governments, Youngstown, Ohio as of and for the year ended June 30, 2004, 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.

As described in Note 9, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

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, 2004, 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.

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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2005, on our consideration of the Eastgate Regional Council of Governments, Youngstown, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Our audit was made for the purpose of forming an opinion on the financial statements of the Eastgate Regional Council of Governments, Youngstown, Ohio 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 23 through 35 (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, Youngstown, Ohio. 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.
January 14, 2005

Eastgate Regional Council of Governments

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

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, 2004. The intent of this discussion and analysis is to look at EASTGATE's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of EASTGATE's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

Overall:

- For business-type activities, net assets increased \$93,192 or 25.6% to \$457,820 from 2003.
- EASTGATE had \$1,329,986 in expenses related to business-type activities and 100% of these expenses were offset by program revenues.
- The business-type activities increased revenues \$25,925 or .02% to \$1,423,178.

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* and *Statement of Activities* provide information about the activities of the whole EASTGATE, presenting both an aggregate view of EASTGATE'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 and what remains for future spending.

Eastgate Regional Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Reporting EASTGATE as a Whole

Statement of Net Assets and the Statement of Activities

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 2004?" The Statement of Net Assets and the Statement of Activities 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 Activities, 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 Funds

Fund Financial Statements

The analysis of Eastgate's major fund begins on page 7. Fund financial reports provide detailed information about Eastgate's major fund. EASTGATE uses one fund to account for a multitude of financial transactions and the fund is considered a major fund.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the District as a whole.

Eastgate Regional Council of Governments
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004

Eastgate as a Whole

Business-type activities

Table 1 shows net assets for fiscal years 2004. Since this is the first year EASTGATE has prepared financial statements following GASB Statement 34, net asset comparisons to prior fiscal years are not available.

Table 1
6/30/2004

	Governmental Activities
Assets	
Current and Other Assets	\$ 794,968
Capital Assets	<u>31,593</u>
Total Assets	<u>826,561</u>
Liabilities	
Long-Term Liabilities	101,085
Other Liabilities	<u>267,656</u>
Total Liabilities	<u>368,741</u>
Net Assets	
Invested in Capital Assets Net of Debt	31,593
Unrestricted Net Assets	<u>426,227</u>
Total Net Assets	<u>\$457,820</u>

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.

Eastgate Regional Council of Governments

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

EASTGATE's Funds

Information about EASTGATE's major fund starts on page 7. These funds are accounted for using the accrual basis of accounting.

General 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 2004, Eastgate had \$31,593 (net) invested in equipment and furniture.

Debt

At June 30, 2004, EASTGATE had long-term debt of \$101,085. All long-term debt is for dedicated to the dredging project. Because of the nature of this 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 2005 and 2006 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, Assistant Director at Eastgate Regional Council of Governments, 5121 Mahoning Avenue, Youngstown, Ohio 44515.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2004**

ASSETS

Cash	\$ 335,304
Restricted Dredging Project Escrow Cash	101,085
Accounts Receivable	357,319
Prepaid Expenses	495
Deferred Charges	765
Property and Equipment	<u>31,593</u>

TOTAL ASSETS	<u>\$ 826,561</u>
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LIABILITIES AND RETAINED EARNINGS

Accounts Payable	\$ 14,629
Payroll Withholding	4,694
Accrued Payroll	36,080
Fringe Benefits (Note 4)	119,888
Payroll Taxes	7,897
Deferred Revenue	84,468
Long-term Liability - Due Within One Year	
Liability for Dredging Project Escrow	<u>101,085</u>

Total Liabilities	<u>\$ 368,741</u>
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NET ASSETS

Invested in Capital Assets	\$ 31,593
Unrestricted	<u>426,227</u>

TOTAL NET ASSETS	<u>\$ 457,820</u>
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The notes to the financial statements are an integral part of these statements.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

OPERATING REVENUE:

Membership Dues	\$ 168,936
Charges for Services	244,971
Miscellaneous	1,498
Golf Outing	<u>3,515</u>
TOTAL OPERATING REVENUES	<u>418,920</u>

OPERATING EXPENSES:

Salaries	558,758
Other Expenses	151,548
General Administrative and Fiscal Costs	90,237
Computer Updates	3,506
Travel	4,366
Telephone	8,805
Duplicating and Printing	9,798
Machine Rental and Maintenance	11,168
Office Supplies	1,996
Occupancy	94,285
Insurance	1,236
Professional Services	33,269
Postage	2,718
Miscellaneous	684
Depreciation	7,804
Golf Outing	3,894
Paid Leave	120,227
Hospitalization	109,194
Payroll Taxes	<u>116,493</u>
TOTAL OPERATING EXPENSES	<u>1,329,986</u>

Operating Income (Loss)	(911,066)
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NON-OPERATING REVENUE:

Federal	915,185
State	88,548
Interest Income	<u>525</u>
TOTAL NON-OPERATING REVENUE	<u>1,004,258</u>

Changes in Net Assets	93,192
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Net Assets (Deficit) Beginning of Year	<u>364,628</u>
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Net Assets (Deficit) End of Year	<u>\$ 457,820</u>
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The notes to the financial statements are an integral part of these statements.

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Customers	\$ 368,330
Cash Payments to Employees for Services	(558,758)
Cash Payments for Employee Benefits	(345,914)
Cash Payments for Goods and Services	(417,510)
Cash Payments for Claims	-
Other Cash Payments	-

Net Cash Provided by (Used in) Operating Activities (953,852)

Cash Flows from Noncapital Financing Activities

Grants Received	<u>1,003,733</u>
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Net Cash Provided by (Use by) Noncapital Financing Activities 1,003,733

Cash Flows from Capital Financing Activities

Acquisition of Capital Assets	<u>(10,124)</u>
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Net Cash Provided by (Used by) Capital Financing Activities (10,124)

Cash Flows from Investing Activities

Interest on Investments	<u>525</u>
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Net Cash Provided by (Used by) Investing Activities 525

Net Increase (Decrease) in Cash and Cash Equivalents 40,282

Cash and Cash Equivalents Beginning of Year 396,107

Cash and Cash Equivalents End of Year \$ 436,389

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

Operating Income (Loss) \$ (911,066)

Adjustments:

Depreciation	7,804
(Increase) Decrease in Assets:	
Accounts Receivable	(57,710)
Prepaid Expenses	14,675
Increase (Decrease) in Liabilities:	
Accounts Payable	(63,802)
Accrued Wages and Benefits	6,124
Payroll Withholding	(85)
Payroll Taxes	(376)
Escrow Liability	<u>50,584</u>

Total Adjustments (42,786)

Net Cash Provided by (Used in) Operating Activities \$ (953,852)

See accompanying notes to the basic financial statements

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
Notes to the Financial Statements
For the Year Ended June 30, 2004

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 have 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

Notes to the Financial Statements

For the Year Ended June 30, 2004

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 deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in EASTGATE, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that EASTGATE has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit account including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Legislation now permits interim monies to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

For the Year Ended June 30, 2004

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-loan money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time, and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purchase of arbitrage, the use of leverage, and short selling are prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of EASTGATE and must be purchased with the expectation that it will be held until maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of EASTGATE's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited within the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classified deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments, and Repurchase Agreements*.

Deposits

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

For the Year Ended June 30, 2004

- Category 1 -** Insured or collateralized with securities held by EASTGATE or its agent in EASTGATE's name.
- Category 2 -** Collateralized with securities held by the pledging financial institution's trust department or agent in EASTGATE's name.
- Category 3 -** Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in EASTGATE's name.)

All deposits are carried at cost. At year end, the carrying amount of EASTGATE's cash and deposits was \$436,389, and the bank balance was \$441,689. Of the bank balance, \$300,183 was insured by FDIC and \$141,506 was classified as Risk Category 3.

Investments

The Governmental Accounting Standards Board has established risk categories for investments as follows:

- Category 1 -** Investments that are insured or registered or for which the securities are held by EASTGATE or its agent in EASTGATE's name.
- Category 2 -** Uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in EASTGATE's name.
- Category 3 -** Uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent, but not in EASTGATE's name.

EASTGATE had no investments at June 30, 2004.

3. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Pension Benefit 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) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees is 8.5%. The 2003 employer rate (the latest information available) for local government employer units was 13.55% of covered payroll, 8.55% to fund the pension benefit obligation and 5.0% 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, 2004, 2003, and 2002, were \$103,496, \$96,010, and \$99,787, respectively, which represents 100 percent contributions for all three years.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

For the Year Ended June 30, 2004

Other Postemployment Benefits

In addition to the pension benefit obligation described above, the OPERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. A portion of each employer's contribution to the OPERS is set aside for funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postemployment health care through their contribution rate (identified above). The portion that was used to fund health care for the year for the year 2004 was 5.0%, which amounted to \$38,190 of covered payroll.

Other Postemployment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. Benefits are advance-funded on an actuarially determined basis. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

As of December 31, 2002 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$10.0 billion. The number of benefit recipients eligible for OPEB at December 31, 2003 was 364,881.

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 \$78,671. The amount accrued for sick leave was \$41,217 for a total liability for fringe benefits of \$119,888.

5. LEASE

EASTGATE leases its office facility under an operating lease which began December 1, 2001 and is for a five year term expiring November 30, 2006.

Minimum future rental commitments under a non-cancelable operating lease having a remaining term of 3 years are as follows:

July 1, 2005 to June 30, 2005	\$ 64,126
July 1, 2005 to June 30, 2006	64,126
July 1, 2006 to November 30, 2006	<u>28,125</u>
Total Minimum Payments Required	<u>\$ 156,377</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.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

For the Year Ended June 30, 2004

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.

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, 2004, was as follows:

	Balance 7/1/2003	Additions	Deletions	Balance 6/30/2004
Equipment, Furniture and Fixtures	190,587	10,124	-	200,711
Accumulated Depreciation	<u>(161,313)</u>	<u>(7,805)</u>	<u>-</u>	<u>(169,118)</u>
Net Capital Assets	<u>29,274</u>	<u>2,319</u>	<u>-</u>	<u>31,593</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.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

For the Year Ended June 30, 2004

10. CHANGES IN ACCOUNTING PRINCIPLES, AND RESTATEMENTS OF FUND BALANCE AND NET ASSETS

For the fiscal year 2004, EASTGATE has implemented GASB No. 34, "Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments", GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements No. 34, 37, 38, and Interpretation 6.

Eastgate Regional Council of Governments

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 2004

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Receipts Recognized</u>	<u>Program Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed Through The Ohio Department of Transportation:				
Federal Highway Administration:				
Highway Research	9230	20.205	\$ 500,890	\$ 500,890
Highway Research Carryover	9230	20.205	50,329	50,329
STP	9230	20.205	82,622	82,622
STP Carryover	9230	20.205	0	0
CMAQ - Ozone Action	8617	20.205	100,000	100,000
CMAQ - Ozone Action Carryover	8617	20.205	0	0
Rideshare Program	9230	20.205	<u>30,000</u>	<u>30,000</u>
Total Ohio Department of Transportation			763,841	763,841
Passed Through The Western Reserve Transit Authority:				
Federal Transit Administration:				
Section 9				
2004 Program	5307	20.507	<u>20,820</u>	<u>20,820</u>
Total Western Reserve Transit Authority			<u>20,820</u>	<u>20,820</u>
Total U.S. Department of Transportation			<u>784,661</u>	<u>784,661</u>
<u>U.S. Environmental Protection Agency</u>				
Water Quality Planning	604(b)	66.458	<u>50,211</u>	<u>50,211</u>
Total U.S. Environmental Protection Agency			<u>50,211</u>	<u>50,211</u>
<u>U.S. Department of Defense</u>				
Passed Through The Mahoning Valley Economic Development Corporation:				
2003 Program	SCAP02-2	12.002	17,732	17,732
2004 Program	SCAP02-2	12.002	<u>18,278</u>	<u>18,278</u>
Total U.S. Department of Defense			<u>36,010</u>	<u>36,010</u>
<u>U.S. Department of Commerce</u>				
Passed Through The State and Urban Area Economic Development:				
Planning Program	06-83-04590	11.302	<u>52,385</u>	<u>52,385</u>
Total U.S. Department of Commerce			<u>52,385</u>	<u>52,385</u>
Total Federal Financial Assistance			<u>\$ 923,267</u>	<u>\$ 923,267</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, 2004

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 accrual basis of accounting.

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

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

**Board of Directors
Eastgate Regional Council of Governments
Youngstown, Ohio**

We have audited the financial statements of the of the business-type activities of the Eastgate Regional Council of Governments, Youngstown, Ohio as of and for the year ended June 30, 2004, and have issued our report thereon dated January 14, 2005. wherein we noted the District adopted Government Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Controls Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Eastgate Regional Council of Governments, Youngstown, Ohio in a separate letter dated January 14, 2005.

This report is intended for the information of 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.
January 14, 2005

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

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

Board of Directors
Eastgate Regional Council of Governments
Youngstown, Ohio

Compliance

We have audited the compliance of the Eastgate Regional Council of Governments, 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, 2004. The Eastgate Regional Council of Governments, Youngstown, Ohio'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 the Council's management. Our responsibility is to express an opinion on the Council'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 Regional Council of Governments, Youngstown, Ohio'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 the Council's compliance with those requirements.

In our opinion, the Eastgate Regional Council of Governments, Youngstown, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Eastgate Regional Council of Governments, Youngstown, Ohio 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 the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

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

This report is intended for the information of 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.
January 14, 2005

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF FRINGE BENEFITS AND
COMPUTATION OF FRINGE BENEFIT RATES
FOR THE YEAR ENDED JUNE 30, 2004**

Fringe Benefits		
Sick, Vacation, and Holiday Pay	\$	120,227
Hospitalization and Life Insurance		109,194
PERS		103,496
Worker's Compensation, Unemployment & Medicare		<u>12,997</u>
 TOTAL FRINGE BENEFIT COSTS (A)		 <u>345,914</u>
 Direct and Administrative Salaries		
Direct Salaries	\$	558,758
Indirect Salaries - Administrative		<u>90,237</u>
 TOTAL DIRECT AND ADMINISTRATIVE SALARIES (B)		 <u>648,995</u>
 FRINGE BENEFIT RATE (A/B)		 53.30%

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS AND
COMPUTATION OF INDIRECT COST RATES
FOR THE YEAR ENDED JUNE 30, 2004**

Indirect Costs	
Administrative and Fiscal Management	\$ 90,237
Fringe Benefits - \$90,275 x 53.3%	48,096
Postage	2,718
Travel	4,366
Telephone	8,805
Machine Rental and Maintenance	11,168
Duplication and Printing	9,798
Office Supplies	1,996
Depreciation	7,804
Occupancy	94,285
Insurance	1,236
Legal and Audit	33,269
Computer Updates	3,506
Golf Outing	3,894
Miscellaneous	<u>684</u>
 TOTAL INDIRECT COSTS (A)	 <u>321,862</u>
 DIRECT SALARIES (B)	 <u>526,307</u>
 INDIRECT COST RATE (A/B)	 61.15%

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 FHWA/ODOT GRANT
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
Revenue:	
FHWA Grant Funds	\$ 500,890
ODOT Grant Funds	62,611
Local Match	<u>62,611</u>
Total Revenue	<u>626,112</u>
Expenditures:	
Direct Salaries	289,917
Direct Expenditures	29,563
Fringe Benefits	154,526
Indirect Costs	<u>177,284</u>
Total Expenditures	<u>651,290</u>
Revenue Over/Under Expenditures	<u>(25,178)</u>
Grant Funds Received	\$ 563,501
90% of Total Expenditures	<u>586,161</u>
Amount in Excess of 90%	\$ <u>(22,660)</u>

Note: Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits and 55.49% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits and 61.15% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 FHWA/ODOT CARRYOVER
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2004

	ACTUAL
Revenue:	
FHWA Grant Funds	\$ 50,329
ODOT Grant Funds	6,291
Local Match	6,291
Total Revenue	62,911
Expenditures:	
Direct Salaries	11,167
Direct Expenditures	40,323
Fringe Benefits	5,952
Indirect Costs	6,829
Total Expenditures	64,271
Revenue Over/Under Expenditures	(1,360)
Grant Funds Received	\$ 56,620
90% of Total Expenditures	57,844
Amount in Excess of 90%	\$ (1,224)

Note: Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits and 55.49% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits and 61.15% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT STP - TRC SOFTMATCH
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2004

	ACTUAL
Revenue:	
Grant Funds	\$ 82,622
TRC Soft Match	20,656
Total Revenue	103,278
Expenditures:	
Direct Salaries	49,569
Direct Expenditures	3,009
Fringe Benefits	26,420
Indirect Costs	30,311
Total Expenditures	109,310
Revenue Over/Under Expenditures	(6,032)
Grant Funds Received	\$ 92,950
90% of Total Expenditures	98,379
Amount in Excess of 90%	\$ (5,429)

Note: Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits and 55.49% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits and 61.15% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT - CMAQ OZONE
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
Revenue:	
Grant Funds	\$ <u>100,000</u>
Total Revenue	<u>100,000</u>
Expenditures:	
Direct Salaries	14,709
Direct Expenditures	70,273
Fringe Benefits	7,840
Indirect Costs	<u>8,995</u>
Total Expenditures	<u>101,816</u>
Revenue Over/Under Expenditures	<u><u>(1,816)</u></u>
Grant Funds Received	\$ 100,000
100% of Total Expenditures	<u>101,816</u>
Amount in Excess of 100%	\$ <u><u>(1,816)</u></u>

Note: Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits and 55.49% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits and 61.15% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT - CMAQ OZONE CARRYOVER
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
Expenditures:	
Direct Expenditures	<u>500</u>
Total Expenditures	<u>500</u>
Revenue Over/Under Expenditures	<u><u>(500)</u></u>
Grant Funds Received	\$ 0
100% of Total Expenditures	<u>500</u>
Amount in Excess of 100%	\$ <u><u>(500)</u></u>

Note: Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits and 55.49% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits and 61.15% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 ODOT STP - RIDESHARE
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2004

	ACTUAL
Revenue:	
Grant Funds	\$ <u>30,000</u>
Total Revenue	<u>30,000</u>
Expenditures:	
Direct Salaries	13,985
Direct Expenditures	1,721
Fringe Benefits	7,454
Indirect Costs	<u>8,552</u>
Total Expenditures	<u>31,712</u>
Revenue Over/Under Expenditures	<u><u>(1,712)</u></u>
Grant Funds Received	\$ 27,000
90% of Total Expenditures	<u>28,541</u>
Amount in Excess of 90%	\$ <u><u>(1,541)</u></u>

Note:

Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits and 55.49% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits and 61.15% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by Eastgate Oversight Agency.

EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
 FTA SECTION 9
 STATEMENT OF REVENUE AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2004

		<u>ACTUAL</u>
Revenue:		
Grant Funds	\$	20,820
Local Match		<u>4,164</u>
Total Revenue		<u>24,984</u>
Revenue Over/Under Expenditures		<u><u>24,984</u></u>
Grant Funds Received	\$	19,987
80% of Total Expenditures		<u>0</u>
Amount in Excess of 80%	\$	<u><u>19,987</u></u>

Note:

Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits and 55.49% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits and 61.15% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by 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, 2004

	<u>ACTUAL</u>
Revenue:	
Grant Funds	\$ 52,385
Local Match	<u>17,462</u>
Total Revenue	<u>69,847</u>
Expenditures:	
Direct Salaries	34,198
Direct Expenditures	326
Fringe Benefits	18,228
Indirect Costs	<u>20,912</u>
Total Expenditures	<u>73,664</u>
Revenue Over/Under Expenditures	<u><u>(3,817)</u></u>
Grant Funds Received	\$ 52,385
75% of Total Expenditures	<u>55,248</u>
Amount in Excess of 75%	\$ <u><u>(2,863)</u></u>

Note:

Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits and 55.49% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits and 61.15% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by 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, 2004

	ACTUAL
Revenue:	
Grant Funds	\$ 50,211
Local Match	16,737
Total Revenue	66,948
Expenditures:	
Element #1200.01	
Direct Salaries	7,718
Direct Expenditures	1,146
Fringe Benefits	4,114
Indirect Costs	5,088
Total Expenditures Element #1200.01	18,066
Element #1200.02	
Direct Salaries	1,544
Direct Expenditures	229
Fringe Benefits	823
Indirect Costs	1,018
Total Expenditures Element #1200.02	3,614
Element #1200.03	
Direct Salaries	21,611
Direct Expenditures	3,210
Fringe Benefits	11,519
Indirect Costs	13,215
Total Expenditures Element #1200.03	49,555
Total Expenditures	71,235
Revenue Over/Under Expenditures	(4,287)
Grant Funds Received	\$ 50,211
75% of Total Expenditures	53,426
Amount in Excess of 75%	\$ (3,215)

Note:

Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits and 55.49% for Indirect Costs. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits and 61.15% for Indirect Costs. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by 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, 2004

	Actual (7/1/03 - 12/31/03)
Revenue:	
Grant Funds	\$ 17,732
Local Match	5,911
	23,643
Total Revenue	23,643
Expenditures:	
Direct Salaries	16,064
Direct Expenditures	62
Fringe Benefits	8,562
	24,688
Total Expenditures	24,688
Revenue Over/Under Expenditures	(1,045)

Note: Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by 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, 2004

	Actual (1/1/04 - 6/30/04)
Revenue:	
Grant Funds	\$ 18,278
Local Match	<u>6,093</u>
Total Revenue	<u>24,371</u>
Expenditures:	
Direct Salaries	16,387
Direct Expenditures	316
Fringe Benefits	<u>8,734</u>
Total Expenditures	<u>25,437</u>
Revenue Over/Under Expenditures	<u><u>(1,067)</u></u>

Note: Eastgate invoiced using a fixed rate of 46.79% for Fringe Benefits. The result of our audit revealed that the actual rates for the Fiscal Year should be 53.30% for Fringe Benefits. The actual rates are reflected in this statement, but adjustments to the Financial Statements were not made per instructions by Eastgate Oversight Agency.

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

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY
JUNE 30, 2004**

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, 2004

**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, 2003, included no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

**EASTGATE REGIONAL COUNCIL OF GOVERNMENTS
MAHONING COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2005**